BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION
JANUARY 1951

1951: A Scene in Black and White

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CONTENTS FOR JANUARY 1951

Some material belongs in several different classifications but for your convenience is usually listed under one heading only.

Just a Minute

1951

"THE years," observes Emerson, "teach much which the days never know." But in these swift times even the humble hour brings its lessons; and some of us wonder, at 6 o'clock, what we will have learned at 7.

BANKING begins this first issue of 1951 with an editorial reviewing the outlook.

Then follows a report from Washington, where the chronicle of the new year's days may well be largely drafted. LAWRENCE STAFFORD, our capital correspondent, provides in broad, topical outline the trend of the story as it will be offered to the new Congress, which must do much of the writing.

Mr. STAFFORD'S pattern is the world outlook, legislation, taxes, controls, the transition to a martial economy. Frankly, there have been happier subjects for New Year discussion. There have also been happier New Year outlooks.

Inflation

IN "Policies to Ease Inflation Pressures" (page 51) E. SHERMAN ADAMS completes his report on a survey of banker-economist opinion as to what should be done to combat the inflation threat raised by the armament program. The present article covers Federal Reserve and banking policies; the first ("Groping for an Inflation Damper," December) dealt largely with problems of fiscal policy and debt management.

Summing up, Mr. ADAMS finds that the majority of the experts canvassed advocate these Federal Reserve policies:

"1. Tighten the controls on consumer credit and mortgage loans.

"2. Raise margin requirements if excessive speculation develops in the stock market.

"3. Permit a further increase in short-term interest rates.

"4. Permit some issues of long-term Government securities to dip below par.

"5. Leave reserve requirements alone."

These points are developed at some length in the article.

"January always gives me the shivers, somehow. Once the FDIC found an error in the books, once we lost our biggest account, and once I got married"

"May I Ask a Question?"

MAKE no mistake about it—these finance forums for women (and men, too) are a big and rapidly expanding development in adult education.

Scores of banks are including meetings of this type in their public relations programs. The results, as you'll note in our article reporting the sponsors' experience (page 00) would appear to be decidedly worthwhile.

Obviously the tremendous interest in the forums (one bank's series of four drew approximately 4,000 women) stems from the deep public

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THIS MONTH'S COVER

BANKING enters the new year with a front window that reflects some of the big events carrying over from 1950. At the right of the white line dividing the headings is the "bad" news—War. The news in the clippings at the left can be labelled "good", although to a large extent it, too, mirrors the critical times. See also the article on page 33

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concern about inflation. From the broader angle, however, the program has enormous possibilities for teaching people the financial facts of life. And who's a better teacher than a bank?

The questions asked by forum audiences are of infinite variety. For instance, here's one that popped up in New Haven, Connecticut:

"Don't you think that if women stayed at home and made clothes, not bought them; baked cake, pie, bread, not bought them; washed laundry, not sent it out; took care of old furnishings, not buying new ones: Wouldn't they know more and have more money?"

At last reports the speaker to whom that one was addressed still wants the answer.

"Rugs, TVs, Suits . . . Banking"

WELL, a bank was bound to open a branch in a department store some day—and the Farmers Bank of the State of Delaware did.

This old institution now has a branch, offering complete service, in the new John Wanamaker store in Wilmington. "We are having many, many inquiries from banks all over the country," says Vice-president GORDON WILLIS.

Shortly before the opening the Philadelphia *Inquirer* published a feature article about the Farmers which, said the writer, "believes it is

(CONTINUED ON PAGE 6)

"John, would you like to sigh and gripe your way through my checking account?"

(CONTINUED FROM PAGE 4)

the oldest bank in the United States still operating under its original charter." The Farmers, continued the reporter, "has also been told that it has the longest continuous dividend record of any bank or corporation in the country, having started dividend payments three months after it began operations in 1807."

Know a Better One?

"MANY strange things happen to banks," says the North Side Savings Bank of New York, "but we doubt if anyone can top this weird incident that occurred recently in our main office. All the facts are vouched for.

"An elderly gentleman, upon approaching a teller's window, proceeded with all the aplomb in the world to take out his teeth—an upper plate, to be exact. Before the startled teller's fascinated gaze, the old fellow then set about removing two carefully folded $1,000 bills from the top of the denture.

"The bills were then calmly and insouciantly handed over to the rigidly attentive teller for deposit."

Seems like this story is a challenge. Can you top it?

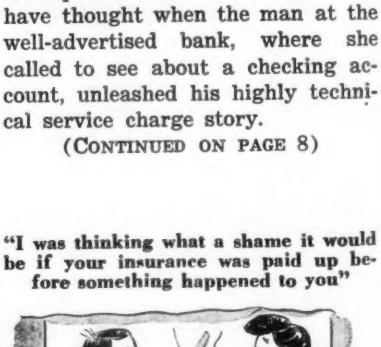
Annie Gets Checking Account

DICK ERICSON is back this month with a two-page cartoon story, "Explaining Service Charge Explanations."

If that sounds complicated, what must poor li'l Annie, the beautician, have thought when the man at the well-advertised bank, where she called to see about a checking account, unleashed his highly technical service charge story.

(CONTINUED ON PAGE 8)

"I was thinking what a shame it would be if your insurance was paid up before something happened to you"




"...and that Credit Report from Bankers Trust certainly gave us the facts we wanted. I hear that every credit inquiry they get receives the personal attention of an experienced credit officer..."

"I did not say you were no-account. I said you had no account here"

(CONTINUED FROM PAGE 6)

Annie, of course, jumped—to another bank where they talked basic English.

Packaged P. R.?

GORAN HEDIN of the Swedish Banks Association recently spent some time in this country as an observer of American banking methods, particularly in public relations. Returning to Stockholm, Mr. HEDIN sends us a long letter recording impressions of what he saw, heard and learned.

"I feel that we have probably much to learn from you in your method of handling school relations," he says. "We have realized in Sweden that the school is the field where attitudes toward banking or other enterprise are basically shaped. Nevertheless, there is one thing that we still have reason to envy you, and that is spontaneity. It may well be that here you have some assistance from your national psychology. Even so, the way in which you get your children and school people to set their imaginations in motion when they make their study visits to your banks is something truly worth trying to reproduce."

Mr. HEDIN hopes he's not wrong in observing that "although the possibilities for getting good results are greater in your country than in ours, in some ways the risks are also greater: the risk that public relations will become merely a product made and packaged by skillful technicians." "However," he continues, "I also observed that the dangers of one-sidedness and separation

(CONTINUED ON PAGE 10)

★★★★★★★★★★★★★★★★★★★★★★★★★★★★

Let's Hope

"Say no ill of the year till it be past."—GEORGE HERBERT.

★★★★★★★★★★★★★★★★★★★★★★★★★★★★

(CONTINUED FROM PAGE 8)

from the central policy of the executive side are very often pointed out. In fact, it is highly pleasing to see, for example, how often it is emphasized that knowledge is as necessary here as in other aspects of life. Actually, there is no limit to the knowledge that can be of use to a good public relations man, not only in regard to his own company but to the community."

Oh, for a Picture of This!

THE officers of a country town bank in New Jersey were holding a Saturday morning conference. In a corner of the room, waiting for her dad, sat a small girl—the cute kind, fully equipped with pigtails and that "no-school-today" grin.

On a table was a copy of December BANKING. The youngster reached for it, inspected the cover (remember?) chuckled, and went quietly to her father's chair. Holding out the magazine she whispered:

"Look, daddy—Santa Claus!"

Thrift Note

THE DRY DOCK SAVINGS BANK of New York opened a branch on the East Side the other day at Avenue C near 5th Street.

First-day deposits, representing 5,114 regular accounts, amounted to more than $285,000, an all-time record for Manhattan. Each visitor got a rose, each account opener a ballpoint pen.

President THURMAN LEE noted that 102 years ago the bank's original office began business just around the corner and that in effect the new Avenue C office was a home-coming.

Mr. Banker Drives Safely

A RECENT analysis of automobile loss experience shows that the second best accident record is held by the "proprietors, managers, officials—finance" group . . . in other words, bankers. "County agents, farm demonstrators, and extension workers" come first, aviators third.

The rankings were established, on the basis of loss ratios, by the State Farm Mutual Automobile Insurance Company of Bloomington, Illinois, and reflect the 1949 records of more than 1,500,000 private car owners in 40 states.

In a list of 64 occupations housewives stand 36th, traveling salesmen 62nd and "unemployed" 64th. "Government employees not otherwise classified" are 8th, all clerical workers 9th.

J. L. C.

★★★★★★★★★★★★★★★★★★★★★★★★★★★★

There is nothing like a child to make a marriage a howling success.

Social success is the ability to look interested when you are bored.

Perspiration is what you get if you make hay while the sun shines.

The baby carriage line at Dry Dock bank opening on New York's East Side

Will St. Nick *nick you for plenty?*

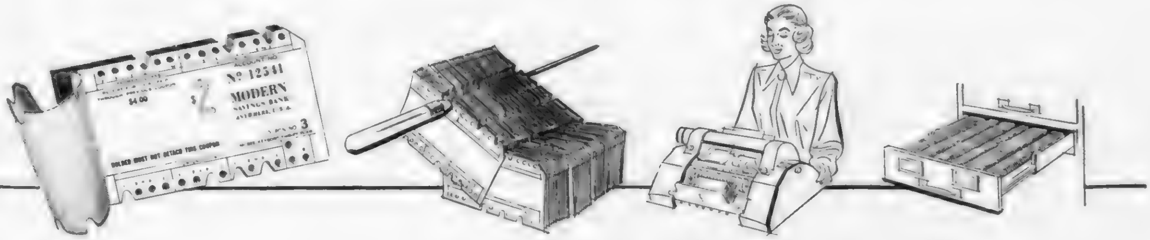
PLENTY in clerical and accounting costs? Plenty in the good will of annoyed depositors? Or plenty, perhaps, in new accounts you missed?

A Christmas savings plan can be a real boost for a bank. It can put you on the good side of local merchants, introduce you to new potential customers. One third of the money invested in savings plans generally winds up in permanent savings accounts. For all its value as a business-builder, however, a Christmas plan can be a real burden.

But any bank can rid a savings plan of heavy clerical costs. With pre-punched Keysort coupons as deposit-account slips, a bank needs *no* special tellers, *no* stamp inventory accounting and pasting, *no* passbook posting. Customers are saved waiting-line delays, tellers spared wearying details. And the accounting is child's play; simply sort, count and file the Keysort slips!

Last month more than ten million Americans did their Christmas shopping with money saved in Christmas savings plans. This month, even more millions are beginning to save for Christmas 1951.

No reason why your bank can't benefit from the customer-building a Christmas savings plan produces. Ask the McBee man near you for the whole story. Or write us.



THE McBEE COMPANY

Sole Manufacturer of Keysort—The Marginally Punched Card
295 Madison Avenue, New York 17, N. Y. *Offices in principal cities*
The McBee Company, Ltd., 11 Bermondsey Road, Toronto 13, Ont., Can.

Oklahoma City teachers observing bank operation in the City National Bank & Trust Company

Blueprint for Bank-School Relations

"I THINK we'll all agree that we bankers don't have too good a batting average when it comes to winning popularity contests," said D. W. Hogan, Jr., at the A.B.A.-sponsored Public Relations Workshop in Kansas City early in December. "We just haven't acquired the knack of merchandising our own wares. And yet, in a day at the bank you'll find all the human interest, the high adventure, the pathos, glamour, suspense, and excitement of one of today's most thrilling best sellers."

Mr. Hogan, who is vice-president of the City National Bank & Trust Company, Oklahoma City, after discussing bank-school programs, described the specific steps recently taken in his home city:

B-E Day a Chance for Facts

"Oklahoma City businessmen and their Chamber of Commerce, pounced upon Business-Education Day as an opportunity to show teachers the *risks* and the *costs* necessary to the achievements of business and to demonstrate the advantages of having a closely knit, working relationship between school and business. Teachers would have facts at their disposal to use in preparing their courses and in guiding students as to the practical needs and opportunities of the business world.

"Needless to say, our bank, along with other Oklahoma City banks, gave its enthusiastic support to this project, which we hoped would be a shot in the arm for better bank-school relations. If we could only sell the teachers on banks and bankers, wouldn't it be natural for them to be on our side and wouldn't they, in turn, help sell the children? It looked like the perfect formula!

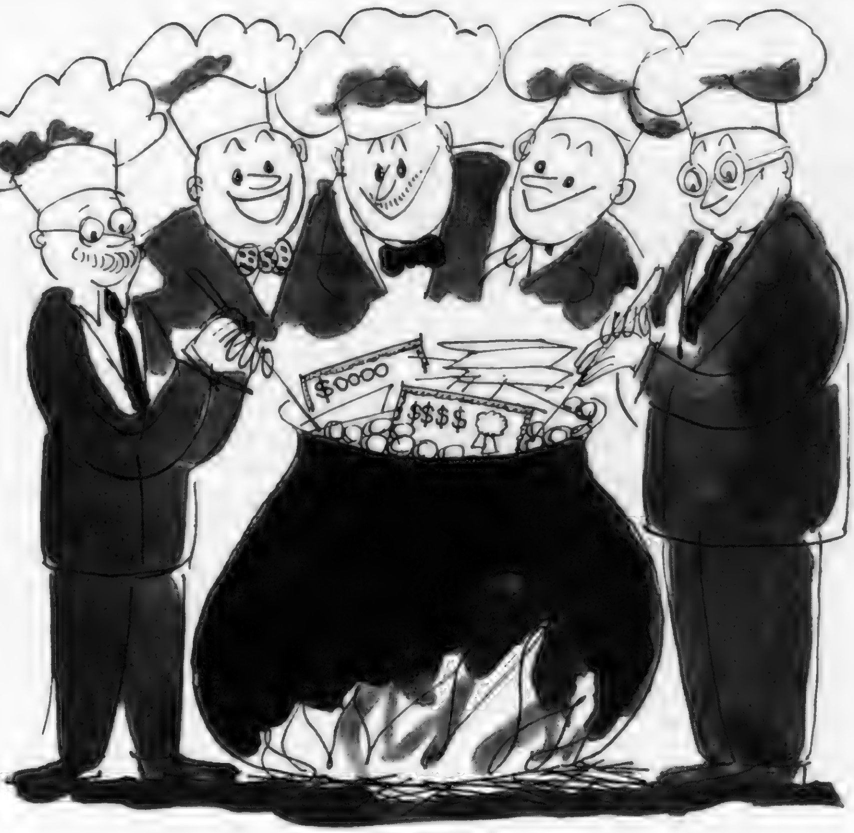
"Ten teachers from four different schools met in our lobby, received their identification tags, and were immediately ushered into the president's office for an informal visit. They got acquainted and heard some of the colorful stories about the early days of the bank. An effort was made to follow an outline which the Chamber of Commerce felt would be useful to the teachers, such as the growth of the bank, the number of employees, investments, factors and problems peculiar to banking, and a down-to-earth discussion of business in general and the outlook for the future from the banker's point of view.

"Three bank officers conducted a tour of the bank while it was still taking care of customers and the operation of each department was demonstrated thoroughly and explained carefully. The teachers were amazed at the extent of a bank's mechanical equipment. Over the lunch table in the Regency Room of the Skirvin Hotel, the teachers asked questions about our profits and expenses. They also learned a great deal about our hiring procedure and were quite interested in our training routine, as shown by a sound film.

Proof of the Pudding

"One teacher wrote us: 'Since my visit with you, I find myself putting into practice some of the arts of good public relations so beautifully shown by you gentlemen as well as by the films. You may feel sure the children in my classroom are being given an opportunity to gain a conception of our American heritage and what it means. However, I do look out the window to see who is coming before I decide whether to have my children sing *Dixie* or *Yankee Doodle*—just good public relations, you know!"

"As the doors closed on the last teacher, we felt that in reality, another door had opened—opened on the bright, new vista of a deeper understanding which was bound to be reflected in wider, clearer horizons for today's children — tomorrow's citizens."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Portable Bank Serves Navy Workers

THE Broadway National Bank of Bayonne, New Jersey, has a portable banking service. Two men go each week to the Bayonne naval base and set up a facility which on an average Friday cashes 2,000 checks, receives perhaps 100 deposits, opens a few accounts, sells and cashes some E Bonds, and does a big Christmas Club business.

The base, technically an annex of the U. S. Navy Yard at Brooklyn, has a large civilian personnel which is paid by check. Bayonne is also an important petroleum center, with cracking plants, refineries, tank farms, docks, tankers, etc.

It developed that workers, who got their pay when the banks weren't open, stopped at bars near the waterfront to cash their checks. Sometimes they paid a fee—but the base figured it was paying a fee, too: it was easier for the men to get into the bars than out again, and an absentee problem developed.

The Broadway was asked to cooperate. Two staff men were sent to the base with a couple of satchels of money. They set up shop at desks in the information office and cashed checks. The service was an immediate success, but developed a problem of its own; one location couldn't serve so large an area, and sometimes it took more than an hour for a worker to make the round trip to the facility.

The bank eased the situation by opening two new locations on the base and sending two men to staff each. This meant that six staff people were out there each Friday, so a new system was devised.

Two men now handle the entire business, simply by moving their "bank" from place to place. They now have a regular schedule, doing business on a timetable schedule at nine locations. When they're finished at one, their portable desks are loaded on a truck, station wagon, police car—anything that's handy—and hauled to another spot.

The newest wrinkle is prepackaging currency for this payroll trip.

Speaking Through the Bank Window

PARKER O. BULLARD

Home Savings Bank of Boston is something of a specialist in window displays, so BANKING *asked Assistant Treasur* BULLARD, *who produces and carries out the ideas, for a few observations on what he calls "eye-Q" exhibiting.*

MERCHANDISING men claim that display is the No. 1 vehicle for stimulating sales at the lowest cost, because the space used is already paid for in terms of rent. Merchandising thrift and home lending, however, is a lot different from promoting refrigerators, nylons and what have you. There isn't a sudden urge to get something today or it may be gone or higher priced tomorrow. Thrift is something that has to be pounded home until that impulse to put off saving until "mañana" is overcome.

DISPLAYS can be simple with a high eye-Q to attract attention for the split second it takes to walk by, with a sales message so brief that it will register; or they can be crowd stoppers, which naturally, to a display man, spells success.

Window displays have a way of creating a feeling that the bank is progressive, has a distinct personality, and that it is human. But banks aren't like department stores.

Unless you have business to transact you just don't walk in and roam about. You have got to be invited in, and when you see what the inside is like—the lobby, the people doing business, the general atmosphere—you may have the feeling, "Gosh, I'd like to do business here!"

During the past two years we have tried to use a "hook" as often as possible—some giveaways, like booklets, pamphlets, maps, dime savers—to bring people in. We experienced no mad bargain basement rush, but hundreds of prospective customers have come in through the front door who wouldn't have done so otherwise.

What kind of giveaways? For instance, with a bank-by-mail window we offered world stamp charts; with a home finance display, a number of booklets and the suggestion, "Our library is yours to browse for building or remodelling ideas"; a counterfeit money window, "Know Your Money"; Sea Scouts window, a booklet on knot tieing; Boston Navy Yard's 150th anniversary, a chart of the U.S.S. Constitution (Old Ironsides); a junior account display, plastic dime savers; an off-to-college window, a special school booklet; a tank full of live trout, a list of waters stocked by the State Conservation Department.

A series of paintings by well known artists exhibited each year has drawn the most continued interest and over 5,000 folders listing the schedule of exhibitions have been given out annually. Some of the booklets we obtained without cost; others were comparatively inexpensive.

Part of a display that emphasized saving for education

Results? Well, you can't buttonhole every new depositor and ask if he opened his account because of a window. However, many have volunteered that information.

We have also found that now and then a simple card in a window, "It Takes Only $1 to Open an Account," has produced results. There seems to be a surprising number of people, mostly youngsters, who have the feeling that they must have at least $25 or $50 to start an account—a feeling that they would be ridiculed if they handed a teller a dollar.

We also try to inject occasionally a bit of merry madness in our displays. Humorous windows can be effective. Many are plain corny, so that people will know that we are creating the window displays ourselves, not employing a high-priced display man. We have tried to be human, down-to-earth, on the same level as the man in the street—"No Stuffed Shirts Here." The public loved it!

There are, of course, some headaches. You get a window in and you develop insomnia, until you get a brainstorm to replace it two or three weeks hence. And once it's in, you stand outside gloating. It's your baby and then no one seems to stop and look. You feel like grabbing people, or shouting, "Look, you dopes!" I'll have ulcers yet!

THE first phase of our program—getting people to talk about our windows, actually going out of their way just to see what is new, remembering the name and location of the bank—seems to have just about jelled. We have created a loyal following not only among our own depositors, trustees and friends, but the regular passerby. The many unsolicited letters, requests for booklets and pamphlets, and offers of unusual things to display tell us that this is so.

To the uninitiated, a huge area of plate glass is frightening. I know,

(CONTINUED ON PAGE 18)

New Issues · 1950

Purchased and Offered by Halsey, Stuart & Co. Inc. alone or with associates*

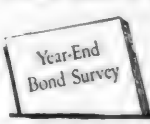
Amount of Issue	*State & Municipal*
$ 5,400,000	ALLEGHENY COUNTY, PA. 1⅜% Bonds, Due 1951-80
19,500,000	BALTIMORE, MD., CITY OF † 5, 1½ & 1¾% Bonds, Due 1952-76
22,500,000	BOSTON, MASS., CITY OF Var. rates Notes, Due 1950 (5 issues)
150,000,000	CALIFORNIA, STATE OF † Veterans' & State School Bonds, Var. Rates, Due 1952-76 (3 issues)
4,075,000	CHARLOTTE, N. C., CITY OF † 6, 2½, 1¾ & 1¼% Bonds, Due 1951-87
5,000,000	CINCINNATI, O., CITY OF 2% Bonds, Due 1951-90
6,000,000	CINCINNATI, O., CITY SCHOOL DISTRICT † 1¾% Bonds, Due 1951-74
11,440,000	CLEVELAND, O., CITY OF 4, 1½ & 1¾% Bonds, Due 1951-75
2,850,000	CORPUS CHRISTI, TEX., CITY OF 2¾ & 2½% Bonds, Due 1952-74
3,000,000	DETROIT, MICH., CITY OF † 1½ & 1¾% Bonds, Due 1952-66
2,000,000	Various rates Bonds, Due 1951-80
4,000,000	DUVAL COUNTY, FLA., SPEC. TAX SCH. DIST. NO. 1 4, 2¼ & 1¾% Bonds, Due 1951-69
2,458,000	HARTFORD, CONN., CITY OF 1½% Bonds, Due 1951-70
36,000,000	HOUSTON, TEX., CITY OF † Var. purposes & rates Bonds, Due 1950-80 (2 issues)
3,500,000	IOWA, STATE OF 1½% Service Comp. Bonds, Due 1964-68
2,073,000	JACKSON, MISS., CITY OF 1½ & 2% Bonds, Due 1950-60
2,300,000	JAMESTOWN, N. Y., CITY OF 1.60% Bonds, Due 1951-70
2,500,000	MORGANTOWN, W. VA., CITY OF Var. rates, Water Rev. Bonds, Due 1953-84
2,138,000	NEW HAVEN, CONN., CITY OF 1½% Bonds, Due 1952-70
4,500,000	NEW ORLEANS, LA., CITY OF Var. rates Bonds, Due 1951-89
6,500,000	OKLAHOMA CITY, OKLA., † 2¼, 2½ & 1½% Bonds, Due 1953-75
2,000,000	ONONDAGA, N. Y., COUNTY OF 1.60% Bonds, Due 1951-74
57,775,000	PHILADELPHIA, PA., CITY OF † Var. rates Bonds, Due 1951-2000
65,000,000	PENNSYLVANIA. GENERAL STATE AUTHORITY Var. rates Bonds, Due 1953-77
5,375,000	PROVIDENCE, R. I., CITY OF 2% Bonds, Due 1951-80
2,500,000	PULASKI COUNTY, VA., 2¼ & 2.10% Bonds, Due 1952-70
6,000,000	SAN ANGELO, TEX., CITY OF Var. rates Water Rev. Bonds, Due 1951-81
9,810,000	SAN FRANCISCO, CAL., CITY & COUNTY OF 1½ & 1¼% Bonds, Due 1951-65
10,000,000	SOUTH CAROLINA, STATE OF 1¼ & 1.30% Hwy. Bonds, Due 1954-65 (2 issues)
11,000,000	SOUTH DAKOTA, STATE OF 1% Bonus Bonds, Due 1951-53
1,700,000	TALLAHASSEE, FLA., CITY OF 1½ & 1¾% Bonds, Due 1952-70
3,000,000	TULSA COUNTY, OKLA., IND. SCH. DIST. NO. 1 2, 1¼ & 1½% Bonds, Due 1953-70
1,850,000	UPPER DARBY, PA., TWP. SCH. DIST. 1¾% Bonds, Due 1951-80
2,000,000	WEST VIRGINIA, STATE OF 4, 1½ & 1¼% Bonds, Due 1951-75
63,453,000	ADDITIONAL MUNICIPAL BONDS, VARIOUS ISSUES

Descriptive circulars or prospectuses and current quotations will be supplied for any of these securities upon request.

** To Dec. 12, 1950*

† Issue headed jointly by Halsey, Stuart & Co. Inc. and others. All other issues were headed, or purchased and offered alone, by Halsey, Stuart & Co. Inc.

Amount of Issue	*Corporate*	Underwriting Interest
$ 6,000,000	ARKANSAS POWER & LIGHT COMPANY First Mtge. Bonds, 2⅞% Series due 1980	$ 4,200,000
8,000,000	THE BROOKLYN UNION GAS COMPANY First Mtge. Bonds, 3% Series due 1980	2,500,000
6,000,000	CALIFORNIA ELECTRIC POWER COMPANY First Mtge. Bonds, 2⅞% Series due 1980	4,000,000
7,065,000	CHICAGO AND NORTH WESTERN RAILWAY COMPANY EQUIPMENT TRUST OF 1950 2¼% Equip. Trust Ctfs., Due 1951-65	2,715,000
55,000,000	CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY First Mtge. 2⅞% Bonds, Series A, Due 1980	4,550,000
40,000,000	THE CLEVELAND UNION TERMINALS COMPANY First Mtge. Serial Bonds, 3¼%, Due 1951-66	3,520,000
110,000,000	THE COLUMBIA GAS SYSTEM, INC. 3% Debentures, Series A Due 1975	19,050,000
49,000,000	COMMONWEALTH EDISON COMPANY 2¾% Sinking Fund Debentures, Due 1999	12,100,000
12,000,000	DELAWARE POWER & LIGHT COMPANY First Mtge. & Coll. Trust Bonds, 2¾% Series due 1980	8,400,000
15,000,000	GEORGIA POWER COMPANY First Mtge. Bonds, 2⅞% Series due 1980	3,400,000
14,130,000	GREAT NORTHERN RAILWAY EQUIPMENT TRUST OF 1950 2⅜% Equip. Trust Ctfs., Due 1951-65	5,220,000
20,000,000	INDIANA & MICHIGAN ELECTRIC COMPANY First Mtge. Bonds, 2¾% Series Due 1980	9,450,000
9,500,000	INDIANA GAS & WATER COMPANY, INC. First Mtge. 2⅞% Bonds, Series A, Due 1980	2,500,000
100,000,000	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT(†) 2% Serial Bonds of 1950, Due 1953-61	20,650,000
7,995,000	JAMAICA WATER SUPPLY COMPANY First Mtge. 2⅞% Bonds, Series C, Due 1975	7,995,000
15,000,000	KANSAS CITY POWER & LIGHT COMPANY First Mtge. Bonds, 2¾% Series due 1980	8,050,000
5,600,000	MAINE CENTRAL RAILROAD COMPANY EQUIPMENT TRUST OF 1950 2½% Equip. Trust Ctfs., Due 1951-60	1,100,000
12,250,000	METROPOLITAN EDISON COMPANY First Mtge. Bonds, 2¾%, Due 1980 (2 issues)	10,100,000
6,000,000	MILWAUKEE GAS LIGHT COMPANY 3⅜% Sinking Fund Debentures, due 1970	1,500,000
7,500,000	MISSISSIPPI POWER & LIGHT COMPANY First Mtge. Bonds, 2⅞% Series due 1980	3,900,000
15,000,000	NEW JERSEY BELL TELEPHONE COMPANY Forty Year 2¾% Debentures, Due 1990	11,500,000
40,000,000	NIAGARA MOHAWK POWER CORPORATION Gen'l Mtge. Bonds, 2¾% Series due 1980	15,350,000
35,000,000	PANHANDLE EASTERN PIPE LINE COMPANY † 2¾% Debentures, Due 1953-62; 1975	6,600,000
20,625,000	PENNSYLVANIA RAILROAD EQUIPMENT TRUSTS SERIES Y&Z 2¼% & 2½% Equip. Trust Ctfs., Due 1951-65	5,925,000
10,000,000	PITTSBURGH AND LAKE ERIE RAILROAD EQUIPMENT TRUST of 1950 1⅞% Equip. Trust Ctfs., Due 1951-60	5,450,000
26,000,000	PUBLIC SERVICE ELECTRIC AND GAS COMPANY First & Refg. Mtge. Bonds, 2¾% Series Due 1980	6,900,000
30,000,000	SEABOARD AIR LINE RAILROAD COMPANY First Mtge. 3% Bonds, Series B, Due 1980	8,100,000
10,635,000	SEABOARD AIR LINE RAILROAD EQUIPMENT TRUSTS SERIES G&H 2⅛% & 2⅜% Equip. Trust Ctfs., Due 1951-65	4,560,000
6,000,000	SOUTHWESTERN GAS AND ELECTRIC COMPANY First Mtge. Bonds, Series D, 2⅞%, Due 1980	4,200,000
40,000,000	TENNESSEE GAS TRANSMISSION COMPANY First Mtge. Pipe Line Bonds, 3% Series due 1970	3,100,000
25,000,000	UNION ELECTRIC COMPANY OF MISSOURI First Mtge. & Coll. Tr. Bonds, 2⅞% Series due 1980	8,650,000
22,350,000	ADDITIONAL PUBLIC UTILITY BONDS, VARIOUS ISSUES	21,350,000
31,290,000	ADDITIONAL RAILROAD EQUIPMENT TRUST CERTIFICATES, VARIOUS ISSUES	14,420,000



Send For Year-End Bond Survey

A concise yet comprehensive survey of activities and influences operating in the bond market as a whole—and in each major classification. Request your copy today, without obligation. Write for leaflet KC-5.

HALSEY, STUART & CO. INC.

123 S. LA SALLE STREET, CHICAGO 90 · 35 WALL STREET, NEW YORK 5
AND OTHER PRINCIPAL CITIES

A home ownership display

(CONTINUED FROM PAGE 16)

for I've been through it—the scare, that is, not the window! When we moved into our new quarters three years ago, we found ourselves with one seven-foot window and three fifteen-foot windows. To start with, we used plaster replicas of the familiar beehive trademark of our institution in each window. They looked awfully lonesome. Those gaping windows were a nightmare. Our new quarters had no eye-Q. People just walked by without particular interest—a bank—another building.

On the theory that if a store could talk through its windows and interest people in what was offered inside, a bank could, too. Our first window was conceived in a moment of rashness: a collection of hobbies of our employees, hooked rugs, painted tole ware, the pièce de resistance . . . an oil painting by our floorman. That was my first big mistake. Certainly the display was of interest. People stopped and spoke about it, but nevertheless it was a mistake, for I have been stuck with those windows ever since and deluged with requests to display Aunt Hattie's collection of hat pins and Uncle Efe's tonic bottles.

It taught me one important thing—don't try to set a window without laying it out beforehand. Build a dummy window in the basement where you can arrange the display, the lighting, the proper background. After it is set to your satisfaction it can be moved upstairs and piece by piece placed in its designated spot in the window.

Where to get props is sometimes a problem, I know. Cultivate a department store so that you can occasionally borrow a clothed mannequin, children particularly. Hopalong Cassidy last Spring was a natural. Historical societies, air lines, steamship agencies, art leagues, museums—you will find them all cooperative. If there is a taxidermist in town, rent stuffed animals. Your florist will supply you with potted plants for a plug. Ask your associates. They will turn up an old wagon wheel, iron gate or grandma's patchwork quilt. Nothing is sacred once the hunt for needed material is under way.

Have your printer blow up old prints, cartoons or charts; they're inexpensive and most effective for a background. Your local display house also has props. Cultivate it for ideas. Watch your department store windows for new techniques in props and lighting. Be sure to have your show cards made up by someone who makes cards for department stores. He has the know-how to put your message across.

Ideas . . . oh, to be like Durante and have a million of 'em! To tie in some service and add a "hook" is not always easy. For the most part you try to hang your displays on seasonable subjects and news events. When you get an inspiration for a window, jot it down on an index card and file it away until needed. Give your neighbors an occasional plug. They all have birthdays and are flattered beyond words—a splendid source of props and copy. Check with your chamber of commerce for coming celebrations, conventions and national events. Cooperate with your state departments of development, conservation and agriculture. Apple Week is well worth while, especially when it promoters supply you with eight or ten bushels of prime fruit. They could hardly expect you to return the apples; when you do take them out of the window, word gets around somehow and everyone in the neighborhood comes in for a sample. And the trout previously mentioned—don't be silly—how could they possibly survive that trip back to the hatchery?

Whether to use a window display service (and there are several that specialize in bank displays) or to hire a professional display man, or to do it yourself, is something each bank must decide. Generally there is someone around the shop who has a little artistic ability and imagination, someone who will do the leg work, a janitor or maintenance man handy with a bandsaw and paint spray. If you have such a person, try creating your own displays. Besides being a dignified banker, you'll find yourself in show business right up to your neatly collared neck.

When you combine enthusiasm and ignorance, you have trouble.

Too often it is the love of the other fellow's money which is the root of all evil.

An up-and-coming young man is not one who is up at three and just coming home.

We shall never have a woman president, as no woman ever reaches the required age.

Oh, what a tangled web we weave when first a government tries to relieve.

In the old days a nation got along without something if it cost too much.

All the world's a stage, but most of us are stagehands.

If all the money finally gets in the hands of the women, it can easily be redistributed by raising the price of nylons to $25.

Heard Along Main Street

Central Hanover Proposes Name Change

STOCKHOLDERS of CENTRAL HANOVER BANK & TRUST COMPANY, New York, will meet January 17 to vote on a proposal to change its name to HANOVER BANK.

WILLIAM S. GRAY, chairman of the board, said the shorter title was recommended by the trustees "for purposes of simplification and no change in banking or trust service is involved."

The bank has had its present name since May 1929 when the Hanover National Bank merged into the Central Union Trust Company.

EDWARD A. WAYNE, vice-president of the Federal Reserve Bank of Richmond, has been made acting director of the Division of Examinations, Board of Governors of the Federal Reserve System. Mr. WAYNE has been granted a six-months leave of absence from his bank. He was invited to fill the Washington position until a permanent director is chosen.

RICHARD C. LILLY, chairman of the board of The First National Bank of St. Paul, recently completed 50 years of service with the bank. He was guest of honor at a reception given by officers, friends and business associates. Mr. LILLY, who started as a 16-year-old messenger for the former Merchants National Bank, became president of that institution in 1918. When it merged with the First National in 1929 he was made president of the consolidated bank and was elected chairman in 1945.

WILLIAM A. MCDONNELL, president of the First National Bank in St. Louis, has been elected a Class A director of the Federal Reserve Bank of St. Louis.

Robert M. Hanes, *right*, president of the Wachovia Bank and Trust Company, Winston-Salem, N. C., has returned to his desk after a year and a half in important ECA posts abroad. During the past year he headed the Marshall Plan program in Western Germany. With Mr. Hanes in the picture is Richard G. Stockton, acting president of the bank during his absence

J. LEROY DART, former president of the Florida National Bank, Jacksonville, has been appointed vice-president of Herring-Hall-Marvin Safe Company of Hamilton, Ohio. Mr. DART, who resigned his bank position last summer because of ill health, will continue to live in Jacksonville.

Banker Raises 'Gators

E. C. WHIDDON is probably the only banker in the United States who has successfully operated an alligator hatchery.

Mr. WHIDDON is vice-president of the State Bank and Trust Company at Beeville, Texas. Last summer, while prospecting by the Nueces River in McMullen County in South Texas, he found a nest of 43 alligator eggs. Three were broken, 11 were lost when Mr. WHIDDON followed the wrong advice in raising them, but 25 alligators were hatched from the remaining eggs.

A newspaper called attention to the unusual hatch and Mr. WHIDDON received inquiries from all over the country. Several zoos asked for one or more of the little 'gators. The owner of a large San Antonio hotel requested four for a pool in the lobby.

The little creatures were displayed at the bank for several days.

CHESTER C. DAVIS, president of the Federal Reserve Bank of St. Louis, is chairman of the Advertising Council's Public Policy Committee.

Recently appointed vice-presidents at Bankers Trust Company, New York, are EDWARD M. ANDEL, ALBERT MULLER, GORDON WOODWARD, RALPH W. HEMMINGER, and A. SIDNEY NORTON. Promoted to assistant vice-president were: F. D. FLAHERTY, E. A. MANNING, JR., C.

(CONTINUED ON PAGE 22)


CONTINENTAL·ILLINOIS·BANK·BUILDING

(CONTINUED FROM PAGE 20)

W. FARNUM, G. R. INCE, FRANK J. JONES, and J. D. MULVEY, and to trust officer, S. M. ENSINGER and A. E. SCOTT. New assistant treasurers: F. J. LEARY, F. F. STANSBERRY, C. M. MUELLER; assistant secretaries, R. W. HALSEY, JR., C. J. HAYES, W. V. MCCARTHY, JR.; assistant trust officer, H. N. KOSTER.

BELFORD G. BROWN has been made an assistant vice-president of The San Francisco Bank. He is permanent president of the 1948 class of The Graduate School of Banking.

LAWRENCE N. MURRAY, president of the Mellon National Bank and Trust Company, Pittsburgh, has been elected a Class A director of the Federal Reserve Bank of Cleveland, succeeding JOHN T. ROHR, president of the Toledo Trust Company.

Newly appointed assistant vice-presidents at Girard Trust Company, Philadelphia: JOHN P. ADAMS, OTTO S. BAUER, JOHN DE VENUTO, RAYMOND J. EULER, F. W. E. FARR, G. ODELL FLETCHER, G. RANDLE GRIMES, JOHN W. WOERNER, J. MILTON HOFFA, WILLIAM O. MASTER, J. KENT WILLING, ROBERT H. WILSON. New trust officers: WALTER C. BAKER, PAUL B. BRANIN, S. DAVID HART, HERSCHEL E. SHORTLIDGE; trust investment officer, ALLEN M. TERRELL; assistant trust officers, JOHN T. CHEW, FREDERIC J. MAINWARING.

For the third time in three decades banks are hanging service flags for employees in the armed forces. *Below,* George M. Wallace, chairman of the board and chief executive officer of the Security-First National Bank of Los Angeles, helps place the banner hung in tribute to the bank's 70 service men

B. G. Brown

E. B. Noble

EARL B. NOBLE, petroleum geologist, has joined The National City Bank of New York as petroleum consultant. Until recently he was general manager for Canada of the Union Oil Company of California. At the bank he will work with officers supervising oil and gas accounts, as technical consultant on problems of petroleum development, production and financing. Mr. NOBLE had been with Union Oil since 1923.

No. 1 Depositor

THE *Kansas City Star* carried this story about the 50th birthday of the Traders National Bank.

"It was a tense moment, that time 50 years ago when J. R. DOMINICK awaited the appearance of the Missouri bank examiner. Having started 14 years before as a $30-a-month clerk in the former American National Bank, DOMINICK was ready to open his own financial house.

"That examiner introduced himself as B. F. CLARK. The visitor examined the books of the proposed Traders Bank — $50,000 capital, $5,000 surplus. But the tension was broken when CLARK smiled and said: 'This looks all right—and I'll be your first customer.'

"Clark handed DOMINICK a $100 check to be deposited in a personal account. That check now is in the hands of R. L. DOMINICK, who has succeeded his uncle in the presidency of the bank.

"But there is a sequel to the story of B. F. CLARK. Now 90 years old, he is chairman of the board of the Colorado State Bank, Denver, and still is active in business. Several weeks ago R. L. DOMINICK wrote CLARK and reminded him of the Kansas City bank's anniversary. In a few days a check was forthcoming from CLARK, this time for $10,000, to be deposited as the first order of business at the start of the

(CONTINUED ON PAGE 24)

(CONTINUED FROM PAGE 22)

ROBERT C. POTTER, formerly with the New York law firm of Cravath, Swaine & Moore, has been appointed a vice-president in the corporate trust department of Chemical Bank & Trust Company.

W. E. LYMAN was elected vice-president and comptroller of Wells Fargo Bank & Union Trust Company, San Francisco. S. G. CLARK succeeds him as general auditor.

CHARLES J. ZIMMERER, executive vice-president of Commercial Credit Company, was elected to the directorate of Union Trust Company of Maryland, Baltimore.

Miss AGNES R. MARTIN is now an assistant vice-president of the Philadelphia Savings Fund Society. She directs the bank's school savings program. Mrs. GRACE D. WILSON was made an assistant secretary.

FRANK P. OHLMULLER, in charge of the security analysis department of Manufacturers Trust Company, New York, is now a vice-president. EDGAR P. HOUPT, in the same department, has been made assistant vice-president.

GEORGE A. HEANEY has been elected president of the First National Bank and Trust Company of Huntington, New York. He headed a group of Long Island businessmen who recently bought the majority interest in the bank.

Chicago Title and Trust Company announces appointment of A. EDMUND PETERSON as title officer, FREDERICK J. FOERSTERLING as assistant treasurer, and RICHMOND M. CORBETT as assistant trust officer.

President J. Hamilton Cheston of the Philadelphia Saving Fund Society presents balloons to youngsters attending the opening of a new branch

The Fulton National Bank of Atlanta helped observe Business Education Day by taking a group of school teachers on a tour of the bank. In the picture Vice-president James C. Shelor and Cashier T. F. Butler are showing the visitors the vault

F. W. HOFFMAN, president of the Cudahy Packing Company, has been elected a director of The Omaha National Bank. BRUCE H. THOMAS, formerly vice-president of Commerce Trust Company, Kansas City, Missouri, has joined the Omaha's staff as a vice-president.

The National Newark and Essex Banking Company, Newark, New Jersey, announces the appointments of LESLIE P. DOUGLASS as assistant vice-president and trust officer, and REMBRANDT P. LANE, BARCLAY B. BAEKEY, and GEORGE BARKER, JR., as trust officers.

GEORGE H. SMITH has been elected vice-president in charge of business development of the American Trust Company, New York.

Citizens National Trust & Savings Bank of Riverside, California, has named ELDEN SMITH to the new position of executive vice-president.

Promotions at the Florida National Bank of Jacksonville include: Vice-president, GEORGE N. BUTLER; cashier, E. B. KIRKPATRICK, JR.; assistant vice-president, K. A. SHELTON, C. C. LEWIS, JR., F. L. EDWARDS; assistant cashier, W. R. HUMPHRIES, JR.

JOHN M. GEORGE is a new assistant treasurer of the Franklin Savings Bank, Boston.

Promotions at the First National Bank of Portland, Oregon, include R. W. LANGFIELD to trust officer and W. F. BUSHNELL to assistant vice-president. RALPH G. ALBERGER has been made personnel officer, a new position.

BURR P. CLEVELAND, president of the First National Bank of Cortland, New York, has been elected a Class A director of the Federal Reserve Bank of New York. Mr. Cleveland is a member of the A.B.A. Executive Council and the Finance Committee.

The Union and New Haven (Connecticut) Trust Company announces these promotions: EMIL L. ROTH to vice-president; W. PERRY CURTIS to assistant vice-president; RICHARD T. JONES and W. A. THOMSON, JR., to trust officer. Mr. ROTH is also secretary.

ERNEST KEYS, vice-president and secretary of the Capital Bank and Trust Company, Harrisburg, Pennsylvania, was made treasurer of the city's Redevelopment Authority.

The First National Bank and Trust Company of Paterson, New Jersey, announces these promotions: Trust

(CONTINUED ON PAGE 26)

Atop the modernized Santa Monica (California) Commercial & Savings Bank is this sun-deck, used by employees. The bank's new "autobanking" facility attracted 10,000 people and 4,000 cars on opening day, which was preceded by an extension promotion campaign

WE STUMP THE EXPERTS

It is getting so that even the experts can't tell the difference between litho-print checks and those produced entirely by the lithographic process. This is due to the distinctive and individualized bank names now appearing on litho-print checks of our manufacture.

Years ago, before litho-print checks became popular, all checks were individually designed and therefore presented an attractive appearance. However, the demands of the public for more styles and colors created large, slow-moving inventories which, in turn, created headaches for a great many banks.

Litho-print checks came along and solved the inventory problem because banks could order any style or color out of a catalog . . . oftentimes ours. But the bank name on such checks was printed from standard type carried in the type-casting machines and the result was ordinary printing.

We felt that this ordinary printing detracted from the appearance of the checks and that it would become more noticeable as the proportion of litho-print checks expanded. Obviously, the answer was to print from electrotypes rather than type, but the cost was prohibitive and the time consumed in getting a good impression was out of proportion to the revenue on the average order.

So, about 6 years ago, we went to work to develop (1) electrotypes that would conform to the close tolerances required to print accurately and quickly, and (2) to produce them at a cost that would be within our profit scope. We now have them and we are using them, and they look so good they stump the experts who examine them by lithographic standards.

To distinguish these precision electrotypes from the ordinary kind, we refer to them as "title plates." If your bank does not as yet use them, send us a sample of your lithographed draft form check and we'll show you how we can reproduce it on litho-print checks.

De Luxe CHECK PRINTERS Inc.

Manufacturing Plants at:

NEW YORK, PAOLI, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

COLOMBIA

Land of American Opportunity

In the years ahead, few countries in South America will offer U. S. business such broad and vital trade opportunities as Colombia. All signs point to a substantial increase in Colombian travel — export and import trade — development of new industries or expansion of existing local industries.

Progressive U. S. banks and business organizations know these facts — are establishing correspondent relations in Latin America, notably in Colombia. In increasing numbers they are taking advantage of the exceptional and complete banking facilities provided by this 38-year-old institution.

With 25 offices, located in all important commercial centers, trade information is quickly gathered and forwarded to you. Special departments are available to handle your collections and letters of credit.

Inquiries cordially invited.

BANCO COMERCIAL ANTIOQUEÑO

Established 1912

Cable address for all offices — *Bancoquia*

Capital paid-up	$15,000,000. — Pesos Colombian
Reserves:	$13,000,000. — Pesos Colombian

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Armenia (C), Barrancabermeja, Barranquilla, BOGOTA, Bucaramanga, Cali, Cartagena, Cartago, Cúcuta, Girardot, Ibagué, Magangué, Manizales, Montería, Neiva, Palmira, Pasto, Pereira, Puerto Berrio, San Gil, Santa Marta, Sincelejo, Socorro, Vélez.

New York Representative—Henry Ludeke, 40 Exchange Place, New York 5, N. Y.

Kirby Williams, *right*, teller at the McDowell National Bank, Sharon, Pa., is congratulated by President John H. Evans on his 50 years of service

(CONTINUED FROM PAGE 24)

Officer ALBERT S. CURRIE to vice-president and trust officer; Comptroller SULLIVAN S. DEFEO to vice-president and comptroller. F. NORMAN LILLIG has been made assistant vice-president and ROBERT W. SIEBERT, JR., assistant cashier.

HARVEY A. BASHAM, JR., and JOSEPH A. O'CONNOR were recently appointed vice-presidents at The New York Trust Company. New assistant vice-presidents are WILLIAM R. CROSS, JR., and WALTER SIEVERS. ROBERT L. IRELAND III, RICHARD K. LEBLOND II, ROBERT F. LOREE, JR., and HALSEY SMITH were made assistant treasurers.

EDWARD E. BARKER, JR., is a newly appointed assistant cashier at the National City Bank of Cleveland.

STEPHEN E. VALENTINE, JR., has been made assistant treasurer of Guaranty Trust Company, New York.

Promoted at the First and Merchants National Bank of Richmond are, *l. to r.*, F. B. Tolson, Jr., assistant vice-president; T. N. Muhlfeld, vice-president; J. Y. Marston, Jr., assistant vice-president; W. W. Pendleton, assistant cashier; J. D. Whitehurst, Jr., vice-president


O. T. Jones R. P. Soule

OWEN T. JONES, vice-president of the American Trust Company, San Francisco, is now a vice-president of the Controllers Institute of America. CHARLES Z. MEYER, comptroller of the First National Bank of Chicago, was elected a director of the Institute.

ROLAND P. SOULE is now a vice-president of the Irving Trust Company, New York, in charge of its research and planning division. He was formerly in charge of research and development for the American Machine and Foundry Company.

LOUIS H. MOORE has retired as vice-president of Security-First National Bank of Los Angeles. Mr. MOORE joined the staff in 1934 after many years in banking on the Pacific Coast. He was bank commissioner for the State of Washington from 1918 until 1920 and then served as vice-president of the National Bank of Commerce in Seattle before going to the Federal Reserve Bank of San Francisco in 1921. At Security-First he was at the head office in the banks and bankers department, and later was manager of the Beverly Hills branch.

ALBERT L. GETTMAN has been appointed auditor of the Guaranty Trust Company of New York, succeeding JOSEPH E. GLASS who has retired after 25 years in that office.

FREDERIC A. POTTS, president of The Philadelphia National Bank, has been elected a trustee of The Penn Mutual Life Insurance Company.

F. A. Potts A. L. Gettman


C. F. Ellery

M. F. Converse

Charles F. Ellery

CHARLES F. ELLERY, national president of the American Institute of Banking in the year 1934-35, died December 1 in San Francisco after a long illness.

Mr. ELLERY began his banking career with the Fidelity Union Trust Company in Newark, New Jersey, in 1916 and advanced to trust officer and vice-president in charge of real estate and mortgage investments.

He was active in Essex County (New Jersey) Chapter of the A.I.B. from its beginning in 1921. In 1929 he was elected to the Institute's Executive Council, and served a three-year term. At the A.I.B. convention in Chicago in 1933 he was elected national vice-president; at Washington, in 1934, he was made president.

Myron F. Converse

MYRON F. CONVERSE, president of the Worcester (Massachusetts) Five Cents Savings Bank and a widely known savings banker, died November 12.

Mr. CONVERSE was president of the Savings Division of the American Bankers Association in 1945-46. He was also a past president of the National Association of Mutual Savings Banks and of the Massachusetts Savings Banks Association.

He joined the staff of the Worcester bank in 1894 as a clerk, and worked his way up through several officers' positions to the presidency, a post he had held since 1927. He was a director of the Mechanics National Bank of Worcester.

Marquette Memo, publication of the Bureau of Business and Economic Research of Marquette University, reprinted in its December issue the economics lecture of W. RANDOLPH BURGESS at The Graduate School of Banking's 1950 resident session. Mr. BURGESS is chariman of the executive committee of the National City Bank of New York, and economics lecturer at the GSB.

(CONTINUED ON PAGE 30)

(CONTINUED FROM PAGE 28)

J. PINCKNEY HARRISON, chairman of the Universal Leaf Tobacco Company, Inc., has joined the directorate of the State-Planters Bank and Trust Company, Richmond.

The Federal Reserve Bank of Dallas announces the reelection of W. L. PETERSON, president of the State National Bank of Denison, Texas, as a Class A director.

LAURENCE P. SMITH, vice-president of the City Bank, Detroit, has been appointed to the advisory committee of the RFC's loan agency in Detroit.

News About Banks

The SPRINGFIELD (Massachusetts) NATIONAL BANK and its public relations director, REGINALD J. ALDEN, received an award in the annual nation contest conducted by the American Public Relations Association for outstanding performance in community service. The bank sponsored a public safety campaign that included wide distribution of a crime prevention booklet and a sticker noting police and fire department telephone numbers. The APRA presented the award, a plaque, at a dinner in Washington, D. C. The bank was represented by WALLACE V. CAMP, chairman of its executive committee, and Mr. ALDEN.

BANKERS TRUST COMPANY of New York early in December announced plans for acquiring the FLUSHING NATIONAL BANK in Queens County. M. LESTER MENDELL, chairman of the Flushing bank, becomes a vice-president of Bankers. Earlier in 1950 Bankers bought the banking business of Title Guarantee & Trust Company and also took Lawyer's Trust Company into its organization.

Plans for consolidating NATIONAL NEWARK & ESSEX BANKING COMPANY of Newark, New Jersey, and the Caldwell National Bank were made recently.

C. E. PALMER, president of Peoples City Bank, and R. M. BALDRIDGE, president of the Union National Bank, McKeesport, Pennsylvania, have announced plans to merge under the name of Peoples Union Bank, with deposits of more than $30-million.

Chairman Laurance Armour of the LaSalle National Bank, Chicago, congratulates William McKay, a guard, one of 24 employees who have been with the bank since it opened for business 10 years ago

LASALLE NATIONAL BANK of Chicago celebrated its 10th anniversary with a "family open house." Members of the staff were invited to bring their families to see the bank. A feature was a display of hobbies, exhibited by 25 employees. Marking the birthday, President JOHN C. WRIGHT sent a letter to persons who had been customers of the bank during the entire decade, expressing "grateful recognition of our long relationship."

The REPUBLIC NATIONAL BANK of Dallas is soon to start construction of a $17,500,000 building, tallest in the Southwest. With tower, it will be more than 600 feet high. The bank will occupy four of the 36 floors in the main structure, in addition to safe deposit and motor-banking facilities in the first of four basements.

Stockholders have approved plans for consolidating the FRANKLIN NATIONAL BANK of Franklin Square, New York, and the SOUTH SHORE TRUST Company of Rockville Centre, under the name and charter of the former. The merged institutions will have resources exceeding $75-million. ARTHUR T. ROTH is president of the Franklin Square. FRANK W. BREITBACH, president of the South Shore, will become a vice-president of the Franklin Square, in charge of the South Shore office.

Stockholders have ratified acquisition by the NATIONAL STATE BANK, Newark, New Jersey, of the UNITED STATES TRUST COMPANY of that city.

BANKING

JANUARY 1951

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

PHOTOS FROM WIDE WORLD

Yearend contrasts—Christmas shopping at a high volume; defeat in the first battle; uncertainties over the new, more-to-the-right Congress (shown are Senators Millikin, Taft, and Wherry); our booming industrial production

1951: A Scene in Black and White

This editorial takes the place of "The Condition of Business" in this issue.

THE OUTLOOK. The world and domestic outlooks are a study in black and white. Abroad, with persistence akin to genius, we have been doing badly since the end of World War II, while at home we have been marking up new production records constantly. In fact our diplomatic accounts are fairly deep in the red, and no pun intended.

In Asia Americans are being killed in a war that is as real as any in our history, while at home we are playing tag with spies and politely receiving enemy officials. All of these things cast a weird light of unreality over the contemporary scene as though we were looking at a caricature of history that is supposed to be comic but is actually tragic. If some of our bearded soldiers direct from Korea could drop in on one of the dinner discussions with enemy officials it would be interesting.

Defending the Dollar

The national program is largely in the custody of political and military leaders, but on the domestic front this year the first order of business is unquestionably the defense of the dollar. Inasmuch as this is closely linked to the public's attitude toward Government securities, it would be timely to examine and re-examine two new aspects of the Treasury Savings Bond program.

The first is that the increasing volume of rearmament spending will require a great deal more money. The second is that the increasing volume of editorials,

(CONTINUED ON PAGE 127)

BANKING PHOTO

Top men in wage and price controls confer in Washington; *left to right:* Michael V. DiSalle, Director of Price Stabilization; Cyrus Ching, Wage Board Chairman; and Alan Valentine, Economic Stabilization Administrator

Entire World Outlook Must Be Re-examined

LAWRENCE STAFFORD

NOTHING less than the re-examination of the entire world outlook and the re-planning of the part the United States should play in it confronts the Truman Administration.

Although it was known two months ago that the Chinese communists were fighting U.S.-UN forces, and although military leaders were aware of the far-reaching implications, the Truman Administration did not appear to act as though it were aware of the entirely new situation until last month. It reacted strongly when U.S. forces began to take a beating and when European statesmen rushed to Washington to make sure that this country would not involve itself in Asia to the detriment of protecting what has come to be called the "main objective," or western Europe.

So the re-appraisal and the re-planning were delayed in starting.

Now the Government is in the position of having found itself on a dead-end road. It is forced to stop, turn around, and figure in what new direction it shall go. It is still figuring that direction, in terms, among other things, of the magnitude and speed of the war effort. These determinations will bear heavily upon the outlook for banking and all business—as well as upon the lives of hundreds of millions here and abroad.

It has been made clear, as was suggested here a month ago, that the outlook as it was understood in late 1950 is almost as out of date as the happy 1920s.

That late outlook was founded upon the hypothesis that the U.S. would have three years in which to prepare itself and western Europe to shore up an effective roadblock against Russian imperialism.

So the prospective size of the Armed Forces was set at a target of 3-million men and women in uniform. This meant that the economy would be somewhat less than half in war, and somewhat more than half in peace. Automobile factories would still make 5-million passenger cars in 1951. Workmen would build something over 800,000 homes. The nation's factories would still manufacture refrigerators and washing machines, with or without attachments to use in figuring one's income tax.

LABOR would be allowed to escape wage control until well into the spring of 1951. Above all, the United States would achieve that miracle of economic expansion so ardently dreamed by Government planners—of producing enough of all the good things of life as well as enough of all the terrible things of war—within that three years.

New Postwar Epoch Reached in Planning

Large-scale Chinese intervention in the Korean war has brought another one of those epochs in postwar planning. Each of these little epochs has had a distinctive set of premises, and plans for dealing with the outlook based on the premises.

Thus, as the war against Germany and Japan drew to a close, the Government believed that the whole world wanted peace. The problem was to organize the peace. The United Nations was established after great effort as the instrumentality to organize that peace.

War left many economic and financial dislocations, however. So the world planners in the Washington Government sponsored the World Bank and the International Monetary Fund. The Fund was to maintain the stability of exchange and currencies. The World Bank was to lend to bring about the rehabilitation of war-devastated economies.

This left only one special problem: the United Kingdom. The U.S. Government adjudged Britain's economic problems especially acute and the importance of her recovery especially strategic, meriting special treatment. So Congress authorized the British loan of $3.75-billion, in 1946.

Peace Premise Changes

In less than a year the premise of the whole world wanting peace and of the UN being able to organize it received a severe setback when communist "guerrillas" began on an obviously organized scale to attack Greece, and when Moscow put substantial pressure on Turkey.

So there emerged in the winter of 1947 the "Truman Doctrine" of U.S. assistance to nations threatened directly or indirectly by the Kremlin's stooges. The U.S. appropriated hundreds of millions for the economic rehabilitation and military preparation of Greece, and for advancing the military preparedness of Turkey.

The year 1947, incidentally, marked the first concrete turning away of the U.S. from Russia.

Subsequently, it became even more apparent that the whole world did not want peace and that the UN could not maintain nor organize peace. So there emerged the Marshall Plan.

This plan acknowledged the force of Russian pressure for expansion. It had its own broad, official assumption, its equally broad premise, and its own plans for dealing with Russian pressure.

Europe was unable to recover fully; in part because of the expenditures for arms occasioned by Russian pressure. Europe's morale was low because of its economic dislocation, and this also debilitated the recovery drive.

Four-Year Plan Emerges

Give Europe economic aid for four years and what would happen would be, first of all, that Europe would recover its production and exchange stability (which neither the World Bank nor the Fund had come within striking distance of achieving). When Europe in four years had achieved recovery she would at one and the same time recover her morale and will to resist Soviet pressure, and provide herself with the economic and industrial machine which would produce the sinews, the weapons with which to resist.

In just four years the Marshall Plan supposedly would achieve these results. Congress first appropriated for the Plan in April 1948. By June 30, 1952, the Marshall Plan was supposed to achieve the job of world recovery and stability, just as the UN, World Bank, International Monetary Fund, and British loan were supposed to accomplish these results.

Invasion of South Korea by an army obviously organized and equipped by the Soviets posed an intensification of the problem of world peace. By way of reporting fact, the premise of U.S. intervention in Korea with UN blessing was to put up a "show of force." All Administration spokesmen in June and July of 1950 explained this philosophy. They appraised the latest Red aggression as creating a situation comparable to the German invasion of the Rhineland.

New White House Press Secretary Joseph H. Short, Jr., formerly of *Baltimore Sun*, succeeds the late Charles G. Ross

HARRIS & EWING

It has since become established history that if France had opposed this invasion, the Germans would have withdrawn. The Administration explained that it expected a show of force to convince Russia of U.S. intentions to resist Russian aggression by force.

So the mere show of force failed and employment of larger forces was needed. With the jeopardy to those larger U.S.-UN forces a desperate worry of the country and of the world this winter, the Administration is confronted with re-appraising Russian intentions, the timing of Russian aggression, and the entire effort which the U.S. shall put forth, both in scope and time, to counter Russian designs as they are reappraised.

Hence what is in the making is a new epoch in U.S. policy. The outlines of this new policy may be forced prematurely by tragic military developments, and may even have been precipitated between the time of writing and publication. On the other hand, barring tragic events or impulsive action, the outlines of the new policy could take weeks, perhaps even months, to take shape firmly.

See Some of the Trends Tentatively Indicated

Some of the larger trends in the long-term outlook for the banking business are discernible, even though the Government, at the time of writing, had not recast its objectives of how much larger an armed force and military production output it wanted in what given period of time.

It would appear that the prospect is for an overall curtailment in consumer credit outstanding in 1951.

Production of consumer durables is likely to be substantially curtailed below earlier expectations. Furthermore, such curtailments probably will come relatively soon. Even without a total re-appraisal of the Government's big objectives, large-scale Chinese intervention in the war led to the Services' placing their orders sooner than they had planned.

(CONTINUED OF PAGE 112)

Long or Short-Term Bonds?

LUKE S. HAYDEN

The author is assistant secretary of the Syracuse Savings Bank, Syracuse, New York. He is a graduate of the Massachusetts Institute of Technology and holds a Master's degree in business administration from Syracuse University.

ON several occasions since the termination of World War II professional economists, bankers, financiers, and investment commentators have predicted that interest rates on prime securities would eventually be firm. In an effort to determine the opinion of bond portfolio managers concerning this question, the author has made a study of operations of these professional investors by analyzing the distribution of the commercial bank, life insurance company and Treasury trust fund holdings of U. S. Government bonds from March 3, 1941, to July 31, 1950.

As a result of this investigation, certain conclusions were reached:

1. Commercial banks have tended to invest a greater proportion of their funds in long-term bonds, thus repudiating to a greater degree than ever before the theory that banks should always invest only in short-term paper.

This development, beginning in 1945, has steadfastly persisted even in the face of the sharp rise in bank loans between 1946 and 1948, and latest Treasury *Bulletin* data indicate that the upward trend in long-term bond holdings remains unchanged, despite the post-Korean renewed growth of commercial bank loan portfolios. Consequently, there are strong reasons for believing that bank bond portfolio managers have long since become convinced that the trend of interest rates is to remain substantially unchanged from that existing at the close of the Victory Loan Drive.

2. The life insurance companies, even in the darkest hours of the bond support program, did not reverse the maturity distribution of their bond holdings by exchanging, on a large scale, long-term bonds for short-term bonds. Thus, a second large investor group reaffirmed, though in a passive manner, its belief in the continuance of the going pattern of interest rates.

3. The failure of the Treasury to liquidate to any important degree the large marketable bond holdings of its trust funds during the rising bond market of 1949 strongly indicates the intention of the Treasury to retain its position of potential manager of the Treasury bond market.

The motivating force behind the author's analysis of the operations of the three major classes of bond portfolio managers was, as has been stated, a determination of the opinion of these professional investors as to the future trend of interest rates. Since data on the distribution of Treasury debt, currently the most important component of the total debt of the economy (at the end of 1949 total Federal debt was 106 percent of total private debt)[1] are available in detail from 1941 to date, it seemed logical that a critical study of distribution of the holdings of this debt among the major classes of investors (as defined above) would provide a guide to professional investor opinion as to the trend of interest rates.

For the purposes of this study the primary source of material was the Treasury *Bulletin*. From the *Bulletin* the actual holdings of each Treasury bond issue from March 31, 1941, to July 31, 1950, have been tabulated by classes of investor. The reason for starting with data as of March 31, 1941, was that earlier investor class breakdown figures were not available.

Consideration was first directed toward the data concerning the Treasury bond holdings of commercial banks during the period 1941 to 1950. Next, the changes in the distribution of Treasury bond holdings by the life insurance companies during the 1941-1950 era was analyzed, and finally a similar examination was made of various developments in the history of ownership of Treasury bonds by the United States Government investment accounts (Federal Old Age and Survivors Insurance Trust Fund, Unemployment Trust Fund, Federal Deposit Insurance Corporation and other investment accounts).

Maturity Pattern and Taxability Studied

In order to determine what had been the theory of commercial bank bond portfolio managers during the period between the spring of 1941 and the middle of 1950, the trend of the distribution of the holdings of U. S. Government securities by the banks was considered from two points of view: (a) the maturity pattern followed; (b) the taxability of such bond holdings.

From 1941 through 1944, the bond holdings of commercial banks were concentrated in short-term issues. Specifically, as of December 31, 1944, the banks owned only 33 percent of the U. S. Treasury 2½s 9/15/1967-72 (the longest bank-eligible issue) as contrasted with 50 percent to well over 70 percent of each of the other outstanding fully taxable issues.

Beginning in 1945, however, and continuing substantially to July 31, 1950, this preference for shorter maturity bonds has undergone a distinct change; by the end of 1945 the banks owned about 56 percent of the U. S. Treasury 2½s 9/15/1967-72, whereas their holdings of other eligible fully taxable issues ranged between about 62 percent and 76 percent of each issue. There can be no question that the commercial banks began aggressively to extend maturities in 1945, and

[1] Elwyn T. Bonnell, "Public and Private Debt in 1948," *Survey of Current Business*, October 1950, pp. 9-15.

moreover that that trend has persisted with only minor interruptions to date. As of July 31, 1950, the banks were the owners of 79 percent of the U. S. Treasury 2½s 9/15/1967-72—the longest eligible bond and a bond which was only 33 percent bank-owned five and one-half years before.

The reasons for the extension of bond maturities on the part of commercial bank portfolio managers are to be found partially in the fiscal policy adopted by the Treasury during World War II and partially in later developments.

Early in 1942 the Treasury and the Federal Reserve set the pattern of war financing and this pattern (⅜ of 1 percent on 91-day bills to 2.50 percent on long-term bonds) prevailed through 1944. Moreover, Secretary Morgenthau refused to make available any bank-eligible issues, during the several War Loan drives, bearing more than a 2 percent coupon, although 3¼ percent to 4¼ percent bonds were being retired. In addition his frequent statements, e.g., "There is no prospect of an upturn in interest rates for a long time. The large volume of savings will hold the rates down," only served to emphasize the permanency of the development.

Basis of 1945 Maturity Extension

Under such circumstances as prophecies of continued low interest rates by the Secretary of the Treasury, substantiated by the failure to offer anything more than a 2 percent issue to banks, and in the face of a further reduction in British interest rates on government offerings (in November of 1944 the British Government discontinued the sale of 8-10 year 2½ percent National War Bonds and substituted 5-year 1¾ percent registered Exchequer bonds), it is little wonder that bank portfolio managers in 1945 began to extend aggressively the average maturities of their bond portfolios. As has already been noted, this extension of maturities still persists.

The reason for this continued trend toward longer maturities has been, of course, the effort to obtain greater income from the longer term higher yielding bonds. There have been at least two major factors which have accelerated this trend: (a) the fiscal authorities' planned scarcity of high coupon short-term bank-eligible securities, and (b) the loan trend of the commercial banks during the past 10 years.

The Table at the Right

Concerning the planned dearth of high coupon short-term bank-eligible securities, it has already been noted that nothing higher than a 2 percent bond issue was offered to the banks during the War Loan drives, and since 1945 the highest coupon rate made available to the banks by the Treasury has been a 1½ percent rate (the 1½s 12/15/1950 and the 1½ percent notes 3/-15/1955). As can be seen from the table on this page, at the end of July 1950, a month after the Korean incident began, the ratio of bank loans to bank deposits was only 31.9 percent—or just slightly above the ratio which existed at the end of 1941.

Although there are, at the time of writing, indications that the banks may soon receive short-term Treasury issues bearing approximately a 1½ percent coupon, and although gross bank loans in the 94 reporting cities have increased sharply from $25,413,000,000 on May 31 to $30,982,000,000 on November 29, nevertheless bank holdings of the longer taxable issues continued to increase through July 31, 1950, with the exception of the holdings of the 2½s 9/15/1967-72. Bank holdings of this issue declined from a peak of $2,202,000,000 on May 31 to $2,157,000,000 on July 31.

Therefore, even in the face of increasing loans and the probability of higher short-term rates, the trend toward increasing bank ownership of long-term bonds has persisted.

Tax Exemption Aspect of Ownership

With regard to commercial bank ownership of partially tax-exempt Government bonds, the statistical investigation on which our argument is based demonstrates that the steady increase in such holdings throughout the war and postwar years resulted in bank ownership totalling from 66 percent to over 91 percent of each outstanding partially tax-exempt issue by the end of July 1950. The reason for the steady year-to-year gain in bank ownership of partially tax-exempt bonds during the period under investigation has been, of course, the corporate tax legislation enacted in World War II. The only relief from the high level of World War II taxes was the termination of corporate excess profits taxes in 1946 and succeeding years. Now, in view of the Revenue Act of 1950 and excess profits tax legislation, there is every reason to believe that the current rate of bank accumulation of partially tax-exempt bonds will continue over the foreseeable future.

The technique adopted for analysis of the life insurance company holdings of Government bonds was similar to that employed in the examination of the commercial bank bond portfolios; an analysis was made from the following points of view: (a) maturity distribution, (b) eligibility distribution, (c) taxability distribution.

In view of the long-term nature of life insurance company liabilities, the Government bond investments of this industry, as might well be expected, tend to be concentrated in the longest bonds available.

Probably the most striking fact maturity-wise concerning life insurance company holdings of U. S. Trea-

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Total Loans of All Commercial Banks

(Amounts in Millions of Dollars)

Date	*Loans*	*Deposits*	*Loans as % of Deposits*
Dec. 31, 1941	21,714	71,283	30.2
Dec. 31, 1942	19,221	89,135	21.6
Dec. 31, 1943	19,117	105,923	18.0
Dec. 30, 1944	21,644	128,072	17.7
Dec. 31, 1945	26,083	150,227	17.4
Dec. 31, 1946	31,122	139,033	22.4
Dec. 31, 1947	38,057	144,103	26.4
Dec. 31, 1948	42,488	142,843	29.7
Dec. 28, 1949	43,300	143,870	30.1
July 26, 1950	46,000	144,050	31.9

Source: *Federal Reserve Bulletin*—"All Banks in the United States, by Classes, Principal Assets and Liabilities and Number of Banks."

METHODS *and* IDEAS

This department is edited by JOHN L. COOLEY *of* BANKING'S *staff.*

Staff Hobby Show Builds Friendliness

THE FULTON NATIONAL BANK of Lancaster, Pennsylvania, has found that an employee hobby show is an effective way to demonstrate that "bankers are people."

Back of the idea was this line of reasoning by Advertising Manager Glenn E. Irwin: "True, we need new customers. But isn't it equally important to foster the feeling of 'the friendliest bank in town' by beginning where one should begin — at the bank?"

So the FULTON announced that the lobby area would be turned over to the staff members for an exhibition of their hobbies. Management endorsed the project, although it was a bit doubtful that enough displays would be available to make the effort worthwhile. This gentle skepticism was, however, in Mr. Irwin's words, "a strong indication that none of us was close enough to our employees to know just what they did in their spare time." It was a pleasant surprise to learn that all but two of the 40 staffers had hobbies.

The bank advertised the show in the local newspaper. A display ad was headed: "Are Bankers People? . . . *Yes!*" and the copy went on to say:

"One day we were shocked to hear a dear old lady customer of ours express surprise on learning that her favorite teller had a family. She really thought we were all put away in the vault at night with the cash!

"Of course bankers are people! Just to prove it we are putting our hobby work on display on our main banking floor. Displays will be changed weekly, and you are invited to come in and see them. Everybody welcome!"

Fulton National's Mary Charles displayed a collection of period dolls at the hobby show

The show had several outstanding results.

"First," Mr. Irwin tells BANKING, "it has helped to break down the ago-old attitude that bankers are stiff, formal individuals. Since we are located in the center of a highly conservative community, this can readily be appreciated. Secondly, it has promoted a general feeling of goodwill among our own employees by creating the feeling of actually belonging to our institution and not being just another cog in a well-greased wheel.

"A result not anticipated has been the reaction of our depositors. Many of them, knowing that his favorite teller takes pleasure in the same hobby as he, now comes to view his business transactions as a pleasure instead of an added inconvenience, since a common basis for an enjoyable discussion has been found."

Banks Sponsor Sunday Supplement

TWENTY-NINE banks in northwestern Connecticut sponsored a 20-page "banking supplement" in the Waterbury *Sunday Republican.*

In tabloid format, the supplement contained feature stories on a wide variety of subjects: major services of banks, wills, types of banks, public relations, numismatics, toy banks, consumer credit, the American Institute of Banking, E Bonds. The issue reached 40,000 homes.

Fifteen commercial and eight savings banks in 14 cities were among the financial institutions represented.

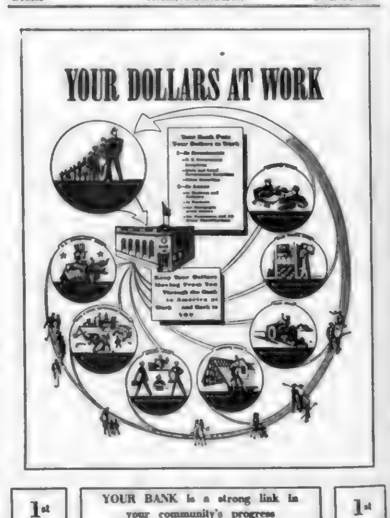
The idea was suggested by the financial supplement of the *New York Times* of Sunday, September 24, which was sponsored by the Savings Banks Association of the State of New York.

Machines Dramatize Bank's Expansion

THE FIRST NATIONAL BANK OF ARIZONA, Phoenix, displayed in the lobby of its main office part of a large order of bookkeeping and tellers' machines destined for its new branches.

A sign told customers that in line with the bank's policy of continually improving its services, the machines would enable the branch staffs to provide "more of the good service you have come to expect of Arizona's oldest national bank."

First page of the bank supplement


THE SUNDAY REPUBLICAN

BANKING EDITION

YOUR DOLLARS AT WORK

1st EDITION

YOUR BANK is a strong link in your community's progress

ANNUAL

1st EDITION

The display aroused wide interest, and attending staffers were kept busy explaining the uses of the equipment.

School Savings Idea

WITH the cooperation of the WOODBURY (Connecticut) SAVINGS BANK, Mrs. J. D. Coombs, eighth grade teacher at the town's school, has put into use an educational gimmick that is fun for school savers.

Once a week her 28 pupils put aside their classwork and become temporary tellers. A wooden frame with two tellers' windows is used as the "Woodbury School Bank" quarters. It was made by the boys, and decorated with blue paper and white lettering by the girls.

The movable bank is set up in the corridor and the eighth graders alternate as tellers and monitors for the depositors from the first to fourth grades. The banking personnel visits the other grades for their deposits.

The eighth graders also figure out the percentage of depositors in each classroom and keep a week-to-week percentage tally on the blackboard. Of the 360 pupils in the school, 256 have accounts. Their weekly deposits are between $80 and $90.

"It is a meaningful way to teach mathematics," says Mrs. Coombs. Harmon S. Boyd, treasurer of the WOODBURY SAVINGS BANK and immediate past president of the Savings Banks Association of Connecticut, visits the eighth grade occasionally to explain the uses of money, computation of interest, etc. He also takes the school bankers on a tour of his bank to see what happens to their money after it leaves the school.

Pennies, nickels, dimes . . . and maybe a quarter or two?

News Ads

HERE'S another good example of bank newspaper ads that compete with news—this one from the FIRST NATIONAL BANK of Holland, Michigan.

Published in the Holland *Evening Sentinel*, "First National Bank Notes" offers informal copy, in newspaper format, about business, people and banking. A feature is the "Newcomers Corner," introducing new residents. Ads also contain short feature stories on local businesses, and several paragraphs of chit-chat related to the bank and its services.

The campaign, which started in October and is to run a year, was called to BANKING'S attention by the Bureau of Advertising of the American Newspaper Publishers Association. The idea, reports the Bureau, was suggested to the bank by W. A. Butler, business manager of the *Sentinel*. The purpose is to build goodwill among manufacturers and citizens, and to contribute to the bank's leadership in the community

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This carnival window display consisted of a ferris wheel, merry-go-round, and rocket ships, all in motion. On each car there was a sign mentioning a bank service, but the main theme was prestige—one of the bank's picture checks would build prestige "for you." The window was decorated in carnival colors, with a large check blowup for background. Newspaper ads on the "big wheel" theme tied in with the display

How to Size People Up

Five Rules to Guide You

DONALD A. LAIRD

Dr. LAIRD, *who has written frequently for* BANKING, *is well known as a writer, teacher, and advisor on problems of psychology in industrial relations. Last month* BANKING *published his article, "Your Personality Can Kill You."*

PEOPLE are always sizing up others—and doing a poor job of it most of the time. Wrong opinions about the abilities or interests of others make trouble in personal life and in business.

Melinda Miller's mother, for instance, sized up a young Clevelander incorrectly. She decided John D. Rockefeller would never amount to much and would not permit her daughter to marry him. A few years later Emma Saunders turned him down because she sized him up as a poor social risk. It works both ways—happy marriages are helped by the right judgments of people, and unhappy marriages and divorces are often due to errors in judging others.

"You have no talent for the piano. Your hands are the wrong shape, too," his teacher told Paderewski. Yet the bushy-haired boy became the world's premier pianist. "Your boy will never learn to keep store; better take him back to the farm," a country store-keeper told Marshall Field's father. Many young people are forced into wrong occupations, or kept from their best work, because parents and employers size them up wrong.

Daily life is jammed with such judgments in which we size up others. The average person is as likely to size up incorrectly as correctly; many experiments have proved this. Important characteristics can be missed as well as minor ones.

More and more business leaders are now making an effort to come closer to the mark in sizing up people. Psychologists have found that the average high school graduate can learn a great deal to make his judgments of others more accurate. Some companies are giving executives, supervisors, and employment interviewers training to judge people better. This reduces labor turnover and boosts production. Such training is essential not just because sizing up people is important, but also because many people have notions about reading character which lead them to the wrong conclusions in sizing up others.

KNOW YOUR PREJUDICES AND ALLOW FOR THEM

Frank Munsey was a telegraph operator from Maine who went to the big city and became a big publisher. A sparely built, hollow-cheeked man himself, he distrusted fat people and would not hire a fat man. Just a prejudice. A key editorial worker on one newspaper Munsey bought was a 300-pound Bulgarian. As soon as Munsey saw this man-mountain he said: "Fire him; he's too fat." But brilliant Svetozar Tonjoroff was not fired; those who knew his real abilities just kept him in hiding whenever Munsey was in the building. It was Tonjoroff who discovered the novelist Joseph Conrad, and who later was Balkan correspondent for the Associated Press. Munsey wanted none of him because the publisher had a thin man's prejudice against fat people.

"Make a list of some of the prejudices or 'strong convictions' you have . . . "

Make a list of some of the prejudices, or "strong convictions," you have which could affect your judgments of others. Here is a list made by one employment interviewer who was unaware he had them until he took a few minutes to analyze his own reactions as he was sizing up people:

- Bow neckties
- Pimples
- Rapid talkers
- Prohibitionists
- Reading tabloids
- Tall people
- Loud colored fingernails
- Tugging at ear or necktie
- Short moustaches
- Big ears
- Not standing erect
- "School marm" eyeglasses

You probably can't get rid of all your prejudices. But the first step in better judgments of others is to recognize some of your pet peeves and then make allowances when judging people who touch off the prejudice.

LOOK FOR DETAILS AND DISREGARD GENERAL IMPRESSIONS

Our natural inclination to like or dislike a person on first meeting twists our judgment of his potentialities. If we dislike him, we look for signs of poor abilities; if we like him we look for good points. The preventive for this source of error is to form the habit of looking for strengths in the person you disliked

"Sizing up details helps avoid forming a misleading general impression . . . "

at first, and for weaknesses in those to whom you feel attracted. Otherwise the halo of the general impression will mislead you widely.

Try to get no general impression, if you can. Sizing up details helps avoid forming a misleading general impression. Observe the details of the other person's eyes on first meeting, for instance. Are they shifty, or do they look steadily into your eyes? Shifty eyes do not mean he is evasive or dishonest, as is so widely believed. They do mean he is likely to be more submissive than average. A direct and piercing gaze, on the other hand, is likely to indicate aggressiveness. The more you know about such significant details to observe, the better your judgments.

Details of clothing will give a suggestion of whether the person leans toward the conservative or the flashy—but will not tell whether he is neat in keeping books.

One rainy afternoon a smallish woman wearing a nondescript rain coat came into a furniture department. The salesmen were visiting with each other. "She's not going to buy anything," one of the salesmen said, "she's too frowsy; just wants to look around." But a younger man did not let the general impression from the rain coat mislead him. He noticed the glittering diamond earrings, the rich leather handbag, and the snapping blue eyes. The young man spent an hour showing her furniture and explaining its fine points. She left without buying, and the other salesmen said "We told you so."

A few months later the store received a cable from Scotland, asking that the young salesman be sent to help select furnishings for Skibo Castle. It was signed by Mrs. Andrew Carnegie—the woman in the frowsy rain coat.

TAKE TIME TO FORM YOUR JUDGMENTS

People can seldom be sized up fully on sight, for we don't show all our traits at once. On first meeting we are usually on our good behavior, and conceal such qualities as a streak of stubbornness. A few folks, plagued with nervousness, fail to show up at their best. One skilled interviewer tells the nervous person to walk briskly around the block and come back; the exercise and unusual action help him forget to be jittery.

"Sizing up is a continuing process, not something to be finished on first meeting"

First impressions last with the amateur, and mislead as do general impressions. Take your time—don't jump to conclusions.

Edward M. House, who made Woodrow Wilson President, said: "I have found that if you allow yourself to become enthusiastic about a man on first meeting, when you do come to know him he will seem disappointing. And that is as much your fault as his." Colonel House was skilled in sizing up and handling others; he had learned not to judge on sight but to take time to consider significant details.

Top executives have to study their key executives' abilities in similar fashion. A promising executive is often given unusual assignments, as rough-and-ready tests of his potentialities. Walter Gifford, as president of the American Telephone and Telegraph Company, did that with young Leroy Wilson, observing him for several years before deciding that Wilson was the man to take his place as president.

Sizing up is a continuing process, not something to be finished on first meeting. Keep your eyes and your mind open.

A critical weakness of employment methods is the shortness of time—the average employment interview lasts only 12 minutes. This average job interviewer has time only for a first impression, and his lack of special training in the significant details to watch makes him form general impressions. Under such conditions it is not surprising that the right man in the right place at the right time is a matter of luck in many concerns.

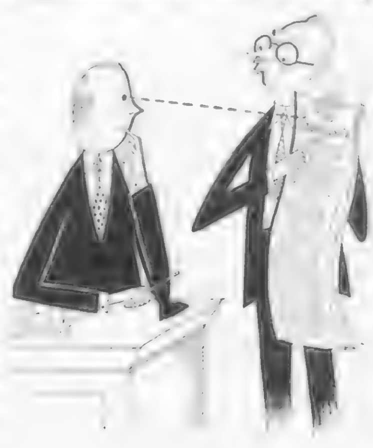
GIVE MORE ATTENTION TO WHAT A PERSON HAS DONE THAN TO HIS APPEARANCE

People may be beautiful and dumb, and again they may be homely and brainy. An entertaining demonstration of this was made. Pictures of a railroad president, a university dean, and a good looking imbecile were shown, each wearing a dinner jacket and black bow tie. More people picked the railroad president as the imbecile than picked the imbecile. They were misled by the railroader's weather-beaten face, caused by his hours in the open. Appearances are extremely misleading—yet first impression judgments are made mostly on looks.

Many experiments have proved

(CONTINUED ON PAGE 96)

"Appearances are extremely misleading"



Explaining Service Charge Explanations

By DICK ERICSON

Our gal Annie has just sold Ye Village Beauty Shoppe and is off to Big Town to open a larger one

In the city her first concern is to park that hard-earned cash. Being an Avid Reader of Advertising, she goes to the most-advertised bank, of course

The bank man gives her a brisk sales talk entitled The Advantages of a Checking Account. "How much," asks Annie, rather timidly, "does this wonderful service cost?"

"Oh," says the banker, "that depends upon your account's activity and size." Annie perks up. "Well," she smiles, "it won't cost *me* much because my balance will be so small"

Mr. B, now equipped with a signature card, nods and resumes: "We charge five cents for on-us checks, four cents for remittances, three cents for deposits, a cent for local clearing items. On the other hand, we allow you a credit of 10 cents per month per $100 of average balance, less float . . . say a rate of 1.2 percent per year. Now if you'll sign here . . ."

"Just a minute," interrupts Annie. "I dropped out three items back. Maybe I could float better—I mean follow better if I could *read* it. Do you have a book or something?" "Indeed, indeed!" beams Mr. B. "This little pamphlet explains everything"

Annie struggles through the fine print and formulas, and wishes she were back in Ye Shoppe with the simple ol' cash register

So she thanks Mr. B for explaining the explanations and trots down the street to another bank. There she gets a one-page leaflet telling her in basic English that a checking account will cost her so many cents an item, less allowances for her balance —and Annie signs up

Skits to Enliven Speeches

During the fall and early winter months the department heads of the American Bankers Association staff have been conducting weekly laboratory tests of all kinds of modern platform techniques. The subjects have included everything from the common garden variety of speech to the use of visual and dramatic devices of various sorts.

At one of the meetings the *pièce de résistance* was an exploratory trip into use of skits as a means of illustrating speeches in the same way as pictures are used to illustrate books, committee reports, or any kind of printed matter.

The skits tested were of two categories, live and marionettes. Some of the pictures and short samples of the marionette show script provide the illustrations on this and the neighboring page.

The story* back of these pictures is, briefly, that of a banker who is afflicted to an unfortunate degree with something akin to smugness. One of his directors urges him to inaugurate a more aggressive policy of goodwill-building in his community through advertising and outside activities. The bank officer agrees, but with his tongue in his cheek, which is a rather hard thing for a puppet to do.

However, as soon as the director leaves, Mr. Smug reverts to his normal self and says that he will handle things the way he has for X number of years. A mouse in the filing cabinet carries the story along.

The thing that looks like an Egyptian telephone booth on the stage is really a thoughtograph, which some inventor had brought into the bank for financing. The inventor claims it has the power to bring to life anybody that the owner wants to think about and this individual, thus transmuted into the flesh, will speak the cold truth without adornment, just as though he had a shot of truth serum.

So, as you might expect, in the course of this marionette show Mr. Smug falls asleep and dreams that the contraption is working. Out of it come employees and customers, and all of them give him the business without gloves. That leads finally to his awakening to greater opportunities and a whopping big New Year's resolution. And anybody can take the story from here.

These staff clinics have been productive of a great deal of information which should prove highly useful in the work of setting up interesting meetings.

DIRECTOR — We'll have some surprising results if we get right after some planned public relations.

PRESIDENT — I imagine so.

DIRECTOR — Not only our customer relations but community relations. And we must not forget the farmer, and the housewife. Publicity and advertising are equally important.

PRESIDENT — Equally!

DIRECTOR — It's up to you to get the ball rolling—and soon!

PRESIDENT — And soon!

DIRECTOR — I have another suggestion to put on your list. Your office is bright and pleasant. This sort of atmosphere should be carried throughout the building. You've made a good start.

PRESIDENT — This was my wife's idea. She's young and bright and felt that the old surroundings weren't making me feel any younger or brighter. She said if I didn't come home feeling any y o u n g e r and brighter at least once a week she'd divorce me. So I let her have her way and redecorate. I must admit there have been some surprising results.

* It was written by William Le Cornac and produced by Mr. and Mrs. Otto Kunze.

HOUSEWIFE With the right set of plans you could rake in more new customers instead of losing your old ones.

PRESIDENT I have been in the banking business too many years——

HOUSEWIFE I think you've hit the nail on the head.

FARMER You're interested in the farmer and his problems, eh?

PRESIDENT Naturally.

FARMER That ain't the way I heard it. I hear tell that you're the biggest stuffed shirt since the dummy was invented.

MOUSE Barriers, barriers
Now you have them in your head
Use a welcome mat instead

BANKER Barriers, barriers. I never believed in New Year's resolutions but here's once I'm going to make the greatest New Year's resolution in my life.

Letters for Bank Promotion

A Survey of the Numerous Types Used

ROBERT D. HAY

The author is on the faculty of the College of Business Administration, University of Arkansas.

THE purpose of a recent survey made by students at the University of Arkansas was to find out what types of business promotion letters are used by bankers. The information was obtained by sending personal letters with an enclosed questionnnaire to all banks in Arkansas and to bankers in all the other states.

Of the 844 questionnaires sent to bankers all over the country, a net return of 565 was received. This was a 63 percent return.

Letters to established customers were found to be the general classification of business promotion letters that are the most popular with bankers, constituting 57.6 percent of the total. Letters to express appreciation of patronage were the specific types of letters that were checked the most often by the bankers. Letters welcoming a newcomer to the community ranked as the second most popular letter. Types of letters and the percentages of bankers who use them are as follows:

Letters to established customers (57.6 percent of total business promotion letters sent).

66% Letters expressing appreciation of patronage.
53% Letters expressing thanks for recommending a friend to the bank.
50% Letters expressing seasonal good wishes.
47% Letters of congratulations for a significant personal occasion.
44% Letters expressing thanks for a large loan or deposit.
31% Letters expressing thanks for the prompt payment of a loan.
27% Letters inviting the customer to a special event.
26% Letters welcoming back an old customer.
12% Letters inviting constructive criticism and suggestions.

Letters to prospective customers (20.1 percent of total business promotion letters sent).

58% Letters welcoming a newcomer to the community and the bank.
48% Letters placing the bank's services at the disposal of a prospect.
17% Letters inviting the inspection of the bank by old customers and prospects.
4% Letters thanking the customer and prospects for inspecting the bank.

Letters to customers who have stopped using the bank (9.6 percent of total business promotion letters sent).

38% Letters reminding the customer of the bank's capacity to serve him.
21% Letters thanking former customers for using the bank.

Letters to new customers (12.7 percent of total business promotion letters sent).

34% Letters thanking a new customer for the first service performed for him.
21% Letters to maintain a customer's satisfaction.
21% Letters thanking the customer for using his new checking account for the first time.

Bankers answering the questionnaire expressed the opinion that form letters are not the best type of promotion letters to use. Form letters lack the personal touch which most people prefer in a letter.

Personal contact is preferred above any other means of promoting business. This is especially true in banks where the contact between customer and banker is close. In larger banks that personal contact is reached by personal promotion letters.

Other types of promotion letters listed by the bankers are those which individual banks have found successful. These are not listed separately in the questionnaire. Most of them offer services of the bank or stress its outstanding features. They can be used very successfully in the creation of goodwill.

Six Conclusions

From the above facts, the following conclusions may be drawn in regard to business promotion letters used by bankers:

(1) Business promotion letters are effective in promoting goodwill and in placing the bank's name before the public.

(2) Bankers realize the value of using good promotion letters in building goodwill and meeting competition, as evidenced by their use of promotion letters.

(3) Most bankers do not use business promotion letters as advantageously as they should. This is shown by the low percentage of bankers using various types of promotion letters.

(4) Of those promotion letters being written, more letters are being sent to established customers than to any other groups of customers.

(5) Bankers do not prefer form letters. They prefer writing personally typed letters to individuals as the occasion demands.

(6) Personal contact is the best type of promotion for the bank. In larger cities, this personal contact is not so easily made. Therefore, larger banks use promotion letters more than smaller banks.

Bank Earnings Trend Up

PRESENT indications are that the year 1950 will prove to have been satisfactory in the earnings records of the nation's banks as a group. In New York City, preliminary estimates indicate that the larger institutions will show an increase averaging about 5 percent, with the various individual performances ranging as high as almost 15 percent in some instances. Elsewhere, it is expected that among all member banks in the country the improvement in average earnings will be at least as good as the 5 percent figure, if not even better.

In New York City, where approximately 25 percent of the country's banking capital is concentrated, the rate being earned on stockholders' funds continues at about 6 percent. Outside the New York area, the rate is nearer 9 percent.

According to reliable estimates, net current operating earnings of all member banks, after taxes and exclusive of security transactions, recoveries from losses and charge-offs, totaled $865,000,000, against $822,000,000 in 1949. In New York City, these earnings amounted to around $146,000,000, compared with $139,000,000 in the previous year. Most of this rise reflected improvement in the banks' earnings position during the last quarter of 1950.

The recent heavy expansion in loans and the cumulative impact of the upward trend in rates were the major factors in this improvement. Loans made by the New York banks, which averaged $7,500,000,000 in 1949, last year averaged more than $8,250,000,000 and at the year's end were running at a rate of about $9,700,000,000.

These banks also had the benefit of a higher prime rate on commercial loans. During 1950, the rate was at 2¼ percent, while throughout 1949, the average was only 2 percent. For all loans last year, the average rate in New York City during the first half was 2.6 percent, while in other areas, of course, the rate was substantially higher, averaging 4.2 percent among Reserve City banks, and 5.1 percent among country members.

The Treasury's own rate also provided some additional advantage to the banks during 1950. In a recent sale of Treasury bills, for example, the interest rate was 1.383 percent, while in the previous year, the average was only 1.102 percent. It must be noted, however, that in New York City the banks generally carry

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EPT and Banks

APPARENTLY the impact of an excess profits tax (EPT for short) on banks is not as direct and as expensive as is the case with business and industrial firms. Mutual savings banks were exempt from the last tax. Commercial banks were not greatly troubled by that tax. In 1943, 494 returns were filed by banks and trust companies; in 1944, 421 returns were filed; and in 1945 there were 799 returns. The excess profits tax paid on all such returns was $2,000,788 in 1943, $4,587,000 in 1944 and $11,092,000 in 1945. Remembering that the total collections were many billions of dollars, the banks' tax burden was relatively light.

The excess profits tax applicable during the years from 1940 to 1945 provided that the taxpayer's profits would be subject to the tax only to the extent that they exceeded a specific exemption of $10,000 and the excess profits credit allowed to the taxpayer. The excess profits credit allowed was computed on either one of two bases, at the taxpayer's election. One basis, the income credit, may be generally described as a credit equal to 95 percent of the taxpayer's average income for the four years, 1936 through 1939, with certain adjustments for capital additions and reductions. On the other basis, the invested capital credit, the taxpayer was allowed a credit equal to 8 percent of the first $5-million of capital invested in the business, 6 percent of the second $5-million, and 5 percent of the excess over $10-million. When commercial banks took advantage of the specific exemption and the credit allowed, the amount of their taxable excess profits was not great in the ordinary case. The fact that during these years banks were able to exclude from their taxable incomes all the interest earned on tax-free Government securities also tended to minimize the income subject to excess profits tax.

Under the presently proposed excess profits tax, now before Congress, a taxpayer will be allowed an invested capital credit equal to 12 percent on the first $5-million of invested capital, 10 percent on invested capital in the $5-$10-million bracket and 8 percent on such capital in excess of $10-million. The income credit is 85 percent of the average of the taxpayer's three best years in the period from 1946 through 1949. Even though no additional specific exemption is allowed, it may well be that these credits will be sufficiently large to prevent any great tax being imposed on the ordinary bank. No taxpayer will pay a tax under the proposed law if profits are below $25,000.

The rate of tax for taxable years beginning after July 1, 1950, in the present House bill amounts to 30 percent of the excess profits subject to tax. This, when added to normal and surtax rates of 45 percent, places the tax on such profits at 75 percent. There will probably be some few items in the bill when it finally is passed which will be of special interest to banks. For example, banks using the reserve method of accounting for bad debts will probably be permitted to abandon that method for excess profits tax purposes. However, such matters must await clarification by the Senate.

WILLIAM R. WHITE

NOTE: MR. WHITE *is an attorney in New York City and associate professor of law at Fordham University. He writes regularly for* BANKING.

An Outline of Panel Techniques

WILLIAM A. IRWIN

Dr. IRWIN, *economist of the American Bankers Association, is a widely known speaker before banking and other groups, and an accomplished and experienced panel member and moderator.*

I. *Panel Personnel: Their Qualifications*

1. Each panel member must know the subject under discussion.
2. Each must be able to talk on it. No audience is impressed by a "silent" participant.
3. Each must be willing to "give and take" in the discussion.
4. Generally speaking, each should have a sense of humor. Even the temporary embarrassment of a fellow paneler is a good panel technique.
5. The presence of one good "actor" on a panel gives "life" to its presentation.

II. *The Moderator: His qualifications*

1. It is advisable, but *not* essential, that he know the subject under discussion.
2. But he must have the confidence of the panel *as moderator.*
3. He should have a flair for the organization and presentation of material.
4. He must have a sense of "timing." Knowing the scope of the material to be covered by the panel, he must keep his eye constantly on his timepiece.
5. He must know how to "needle" a paneler so as to draw from him his maximum contribution to the discussion.
6. He must *sense* when a panel member has "said his say" and then cut him off.
7. He *must* be a "driver," but this need not mean that his driving is too evident to the audience.
8. He should have a "feel" for audience reaction and audience participation.

III. *The Panel Setting: An "Atmosphere" that Has Audience Appeal*

1. It is essential to seat the panel at a table where the audience may get a full view:
   (a) Never use a round table, if avoidable.
   (b) Never seat panel members at the *ends* of the table. Such placement gives the audience only a profile view, and destroys "eye contact."
2. The table should be on a platform high enough to raise the panel participants above the heads of the audience.
3. It is usually best to have the moderator in the middle seat, though not compulsory.
4. It is preferable to keep known "antagonists" apart. Any audience enjoys an intellectual battle, and this is best presented at arms length.
5. The maximum size of a panel should be *four,* plus the moderator:
   (a) *Two,* with an informed moderator, do well.
   (b) More than four is *clumsy* to handle.
   (c) More than four is *unfair* to participants, and allows each too little time to express his point of view adequately.
6. In a large room microphone equipment is indispensable, with a "roving" microphone available for audience participation.

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THE RETENTION AND DESTRUCTION OF BANK RECORDS

Microfilming Bank Records

JOHN R. VINCENS

Mr. VINCENS *is a member of the Legal Department of the American Bankers Association.*

In November BANKING *he discussed statutes of limitation and suggested some general rules to govern the handling of old records. His December article was on the subject of record retention statutes in the various states. A future article will discuss preservation of records in event of war.*

BANKS nowadays may be spared the necessity of making their decision between retaining old books and records and accepting the accompanying storage cost, and destroying them and accepting the accompanying risk. They now have a middle course, one somewhat akin to having their cake and eating it, too. This is the use of microfilm.

The microfilm process is well enough known to need little explanation here. Briefly, it is a process whereby business records, among other things, are accurately reproduced as a matter of course, in greatly reduced size on rolls of film. Thus retained until needed, they easily may be viewed at their original size through a projector or as a positive print.

The process has many advantages. Wherever microphotographic reproductions are accepted in place of original records, the originals may be disposed of as soon as they are microfilmed.

Since records are reduced on film to as much as 1/35 of their former size, large savings in space, estimated at as much as 95 to 99 percent, may be effected. For example, 7,000 letter-size documents occupying about 1½ standard file drawers, or 20,513 3x5 cards occupying 12½ drawers may be recorded on a roll of film "no larger than the palm of your hand" and stored in a space only 4"x4"x1".

This article, reduced to microfilm would be approximately this size:

□□□

Filing cabinets and the like are released, to be reused or disposed of, and future purchases of such equipment may be largely eliminated. Records formerly retained in duplicate in two or more departments may be destroyed when the master is available on film. Tedious and costly manual copying may be eliminated.

Related records previously located in different places may be brought together on film, thus permitting more effective and efficient use as well as saving the manhours now used in locating the scattered records. Records on film stay in order; they cannot be misfiled.

Unlike many original records, microfilm reproductions cannot be altered without detection. In fact, enlarged microfilms are often used to detect alterations in original records. Said to be as durable as 100 percent rag paper, they are thus more durable than the average original record. Losses from improper housing, vermin, mildew and dirt may be eliminated. In cases of emergency, a small package of microfilm may be moved to safety more easily than the contents of a warehouse, and, it might be added, the cost of fireproof storage for microfilm is comparatively negligible.

The Texas Library and Historical Commission has reported that the microfilming of records of various state departments would release 45,000 square feet of potential office space and 10,000 square feet of storage space, together equivalent to a 5½ story building, 100' x100', having a rental value of $154,000, and would also release filing cabinets having an estimated value of $252,000. Comparable savings might be effected, for example, by a New York City bank reported in a recent news story to have spent $88,475 annually to maintain 14,667 square feet of record storage space.

Though microfilm reproductions are widely accepted in commercial and financial circles as the equivalent of original records, they are not, unfortunately, always accepted as such in the courts.

Since one of the main reasons for keeping records is to establish or defeat claims, and claims are established in the courts, it would be desirable for the banker to ascertain the legal status of microfilm reproductions in his state, before committing a stock of old records to microfilm.

Of course, the legal status of microfilms is of importance only in the case of records having legal significance. But in states where it is required that bank records be preserved for a certain period of years, it would also be desirable to know whether retention of microfilm reproductions will fulfill the requirement. On the other hand, where there is no specific requirement for preserving records as originals, those which have no legal significance, but are retained only for internal use, for study, research or for historical purposes, may and often should be reduced to microfilm.

Generally speaking, bank records are admissible in the courts as primary evidence; photographic reproductions, in the absence of a statute making them primary evidence, are admissible only as secondary evidence, after the laying of a proper preliminary foundation.

Two Rules of Law

A brief look at two rules of law, the hearsay rule and the best evidence rule, may enable the layman to understand this difference in treatment and the reasons for it:

Ideally, the best evidence of the facts of a transac-

tion is the testimony of a person who knows the facts. Such evidence is primary evidence and, ideally, any other evidence is secondary evidence and also hearsay.

Hearsay evidence is mere repetition of the statements of others and is not based on the personal knowledge or observation of the witness. Because the law holds that truth may best be elicited by requiring all evidence to be given under oath and subject to cross-examination, and because statements of third persons cannot be put to these tests, hearsay evidence is inadmissible. This is the hearsay rule.

However, neither oral testimony nor testimony based on personal knowledge can always be had. Thus the law considers the "best evidence" to be not the best imaginable but the best that should be obtainable according to the nature of the case. And thus, also, there are exceptions to the hearsay rule.

One of these exceptions embraces business records. In a business of any size, no one person is likely to have personal knowledge of all aspects of a given transaction. Those who do have personal knowledge of the various parts of it are often unavailable to testify. And while the facts of the transaction might be obtained from entries in the books of the business, more often than not the entries were made by an employee with no personal knowledge of the facts recorded.

But, because book entries made in the regular course of business are generally made by persons with no motive to defraud, and are frequently the only available evidence of the facts of a transaction, an exception to the hearsay rule was made for them at common-law.

Entries "in the Regular Course of Business"

Thus, the courts will in general admit entries made in the regular course of business, at or near the time of the transaction, by one acting in the regular course of his employment, who had personal knowledge of the facts recorded, or had them communicated to him by an employee who had such knowledge. And when so admissible, the entries are considered "the best" or primary evidence.

This is neither a perfect legal definition of the exception, nor even a general statement of it as it exists in all jurisdictions. The exception developed, case by case, over the course of many years, and developed more broadly in some jurisdictions than in others. In addition, many states have enacted statutes further to broaden the common-law exception and to supplant it.

For example, the so-called Commonwealth Fund Act, has been enacted by Congress and the legislatures of eight states in substantially the following form:

> Any writing or record, whether in the form of an entry in a book or otherwise, made as a memorandum or record of any act, transaction, occurrence, or event shall be admissible in evidence in proof of said act, transaction, occurrence, or event, if the trial judge shall find that it was made in the regular course of any business, and that it was the regular course of such business to make such memorandum or record at the time of such act, transaction, occurrence, or event, or within a reasonable time thereafter. All other circumstances of the making of such writing or record, including lack of personal knowledge by the entrant or maker, may be shown to affect its weight, but they shall not affect its admissibility . . .

But while original records may substitute for oral testimony and be considered primary evidence, substitutes for them are not so favored. The law still considers that a writing is the best evidence of its own contents. Copies will not be received unless the absence of the original is explained to the satisfaction of the court, and even then will be received only as secondary evidence, inferior in probative value to primary evidence. This is the best evidence rule, designed to protect against the possibility of error in copying a writing and the possibility of fraud where the party seeking to use a copy has himself destroyed the original writing.

Now it might seem that the courts would hold the best evidence rule inapplicable to reproductions of business records made by the microphotographic process, since the rule evolved long before the process and the reproductions are not the sort of copies the courts had in mind when they were evolving the rule. Rather than copies, the reproductions are, for practical purposes, originals.

However, such is not the case and the general rule

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Photographic Evidence Statutes Applicable to Bank Records

Arkansas	Stat. Ann. (1947) §§16-501—16-504
Connecticut	Gen. Stat. (1949) §§8887-8889
Georgia	Laws 1950, No. 540
Illinois	Stat. Ann. (1950 Com. Supp.) §107.069
Indiana	Stat. Ann. (1949 Supp.) §§2-1649—2-1651
Iowa	Code Ann. (1949) §§528A.3, 528A.5
Louisiana	Laws 1950, No. 146
Maryland	Code Ann. (1947 Supp.) Art. 35, §68
Massachusetts	Laws Ann. (1949 Supp.) c. 233, §§77, 79A, 79D
Michigan	Stat. Ann. (1949 Supp.) §27.902 (1)
Missouri	Rev. Stat. Ann. (1950 Supp.) §§1880.1—1880.3
Nebraska	Laws 1949, c. 10
New Hampshire	Laws 1949, c. 281
New Jersey	Stat. Ann. (1950 Supp. §§2:98—27.1; 17:9A—247, 248
New York	Banking Law Ann. (1950) §256
North Carolina	Gen. Stat. (1949 Supp.) §53—58
Ohio	Gen. Code Ann. (1949 Supp.) §§710-118, 12102-23a
Oregon	Laws 1949, c. 74
Pennsylvania	Stat. Ann. (1949 Supp.) Tit. 7 §321a
Rhode Island	Laws 1948, c. 2087
South Carolina	Laws 1948, No. 1193
South Dakota	Code (1939) §36.1003
Tennessee	Code Ann. (1949 Supp.) §§9773.12, 9773.13
Texas	Stat. (1948) Art. 342—113
Virginia	Code Ann. (1950 Supp.) §§8-279.1, 8-279.2
Washington	Rev. Stat. Ann. (1949 Supp.) §§1257-4—1257-6
West Virginia	Code Ann. (1949) §3190(1)
Wisconsin	Stat. (1947) §327.29

Policies to Ease Inflation Pressures

E. SHERMAN ADAMS

This is the second of two articles presenting the opinions of leading bankers and economists as to what should be done to combat the inflationary threat posed by the rearmament program. Last month's article discussed fiscal and debt management policies. This one covers Federal Reserve and banking policies, including the problem of interest rates.

In conducting this survey for BANKING, the author canvassed the views of such men as Sidney B. Congdon, president of The National City Bank of Cleveland; A. R. Evans, vice-president, Northwest Bancorporation, Minneapolis; Professor Jules I. Bogen of New York University; Russell M. Colwell, vice-president of the First National Bank of Portland, Oregon; Elliott V. Bell, former Superintendent of Banks for the State of New York; C. A. Sienkiewicz, president of the Central-Penn National Bank of Philadelphia; J. H. Riddle, vice-president of Bankers Trust Company, New York; Professor Lester V. Chandler of Princeton University; Keehn W. Berry, president, Whitney National Bank, New Orleans; Dr. Marcus Nadler, consulting economist, Central Hanover Bank and Trust Company, New York; J. Harvie Wilkinson, Jr., vice-president of State-Planters Bank and Trust Company, Richmond; Professor Howard S. Ellis of the University of California, past-president of the American Economic Association; Wesley Lindow, vice-president, Irving Trust Company, New York; Donald B. Woodward, second vice-president, Mutual Life Insurance Company of New York, and Professor Roland J. Robinson of Northwestern University.

The author, who is secretary of the Planning Committee and Lecturer on Finance at New York University, is well known as a writer and speaker on financial subjects.

LOOMING ahead are the armament orders. As the tempo of Government spending for defense accelerates, what credit policies should be adopted to cushion their inflationary impact?

Among the prominent bankers and economists who participated in the symposium for BANKING, it is unanimously agreed that credit should be further tightened as inflationary pressures mount. Federal Reserve and banking policies, though admittedly far less important than fiscal policies, should nevertheless comprise an essential part of a balanced anti-inflation program.

"The root of our problem," in the words of Elliott V. Bell, "is to cut down civilian spending that puts an upward pressure on prices. Both heavier taxes and tighter credit aim directly at the principal target—curtailed spending by individuals and businesses. Linked to a tax program that bites deeply into civilian spending, wise credit policies can hold down inflation pressures."

Monetary measures will have significant implications for every banker. He will see their effects upon his investment results and upon the size and character of his loan portfolio. He will also wish to adapt his own credit policies to the requirements of a semimobilized economy.

The problem is crucial. We must not permit virulent inflation to sap our national strength. At the same time, we must try to avoid a rigid regimentation of our economic life.

Realization of these grave dangers is reflected in the recommendations received from financial leaders. Impressed by the "very serious political and social consequences" that further inflation would involve, one bank economist states: "It seems to me desirable, therefore, to use practically every anti-inflationary measure available, even though a number of them are undesirable in themselves."

In these ominous circumstances, what role should the Federal Reserve System perform?

As for selective credit controls, there is virtual unanimity among the participating bankers and economists that, for the period ahead, regulations of this type are highly desirable in all of the three areas in which they are already in operation, namely, consumer credit, real estate loans, and stock market credit. As we have seen in recent years, deficit spending by individuals for automobiles, appliances, and houses can be a potent inflationary force. For the era we are facing, it would be stupid to encourage people by easy credit terms to spend in excess of their incomes.

But these regulations, like all others, have their defects. They discriminate against certain products and industries; they entail administrative headaches; and the further they are carried, the more difficult they are to enforce. So the question naturally arises as to how severe they should be.

Polled on this question, most of the participants in the BANKING survey recommend that, assuming an inflationary situation during 1951, restrictions should be made "considerably more stringent" both on consumer credit and on real estate lending. Several feel that existing regulations are strict enough, but a majority, among bankers as well as economists, believes that tighter control is justified under emergency conditions.

Stock Market Credit

The third selective weapon, the regulation of stock market credit, receives unanimous approval. Changes in the margin requirements on loans secured by listed stocks are regarded as an effective brake on speculative excesses in Wall Street.

Aside from these three types of credit, the possibilities for applying selective controls are limited. Almost the only likely candidate is credit used in the commodity markets. Opinion is divided as to whether

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WORLD BUSINESS

HERBERT BRATTER

WAR ECONOMY IS HERE

WITH frightening rapidity events in Korea have given the U. S. and the world another big push toward a hot-war economy. The debacle of November-December brought Clement Attlee hot-winging it here. The Socialist and the Democratic spokesmen of their two great nations earnestly discussed which front to defend. They talked about lend-lease for Europe, although it is now called simply "military aid." They talked about pricing and allocation of strategic raw materials: of another combined raw-materials board. And aid for Asia, American aid, was asked under the heading: Colombo Plan. To the press club, between White House sessions, Attlee promised: "Where the stars and stripes fly in Korea, the British flag will fly beside them." At the moment, both were flying.

While history is thus repeating itself with old actors taking on new roles across the stage that is this world, Washington assumes the still remembered appearance of the early 1940s. The Naval Gun Factory, lacking enough experienced men, has begun to recall Rosie the Riveter and her sisters. Price and stabilization controllers are arriving on the scene and setting up ever-so-little offices to get started. Businessmen too are cramming the hotels and Government office waiting rooms, to get the latest word from on high. Confusion is the common denominator in the corridors and council chambers. For one thing, no one can tell how big a war we are in or where the fire will break out next.

I found one quiet place in Washington the other day, however: a long enclosed sun porch at the Wardman Park Hotel. As I hurried through on some business, I glanced in passing at an old man seated in a wicker chair, gazing pensively at the grey day without. He was the only man in sight: it was lonely Cordell Hull. "Tomorrow"—I mused —"is the anniversary of Pearl Harbor. I wondered what he was thinking?"

Perhaps he was thinking of Pearl Harbor or Dunkirk or Bataan in the Philippines. In that not too happy land the ECA has just launched— to quote the Foster-Quirino agreement—a "new era of progress and plenty." Or, this being Asia's day in the headlines, of Borneo, Brunei and Burma. Or was he thinking of the strange turn of events which has led to this country's feeding the army of Communist Yugoslavia, while pressing France to agree to incorporate German units in the armies of Western Europe?

COLOMBO PLAN

In a press release the Australian Embassy in Washington calls attention to the Colombo Plan for Co-operative Economic Development in South and Southeast Asia prepared by seven member-governments of the Commonwealth of Nations. The plan, evolved at successive meetings in Colombo, Sydney, and London, outlines a $5,230,000,000-aid program made to order for the U.S.A.'s Point IV activities. The Asian governments concerned would be expected to put up, in local currencies presumably, $2,195,000,000 of the total while another $689,000,000 would be provided by release of their sterling balances now blocked in London. The British Government will provide about $140-million for Malaya, Singapore, Borneo, and Sarawak, much of it already committed under existing law.

Addressing the National Press Club after his White House talks, Prime Minister Attlee said he is glad to go into another Commonwealth conference on the Colombo Plan fresh from his talks with President Truman. He seemed to imply that he had obtained a promise from the President.

Announcement in Parliament of the UK Government's decision to gradually release large additional amounts of blocked sterling—a step long understood to have been promised in the Anglo-American loan agreement — aroused the indignation of the Conservatives.

OUR JAPANESE DEPENDENTS

The Population Reference Bureau draws attention to Japan, where the population is growing by 1,661,000 a year, compared with about 1,000,000 prewar. At this rate it will double in 33 years. Overpopulated, agriculturally-poor, Japan—to quote MacArthur's staff— is developing agrarian hopelessness, such as led to the imperialistic policies of the 1930s. U. S. occupation has reduced Japan's death rate from 29.2 in 1945 to 11.4 in 1949. It cost us at least 10 times as much to save Japan from pestilence as to save the Japanese people from starving. But continued reduction of deaths without birth control will surely lead to famine. With this in mind, the Japanese Government in 1949 passed the Eugenic Protection Law, which legalizes abortion for economic reasons.

JAPAN'S ECONOMY

With the blessing of the SEC, trading in Japanese dollar bonds has been resumed on New York securities exchanges. Service of the dollar debt depends, however, upon conclusion of a peace treaty. Japan's merchandise trade continues severely handicapped by the disruption left over from World War II. The war in Korea further disrupts Japanese hopes of revived trade with China. In October the Federal Reserve Bank of San Francisco published a review of Japan's trade recovery problems which concludes that Japan may have lost through inflation of costs its competitive advantage in low-priced consumer goods. And Nippon has lost its former special advantages of cheap shipping and centralized banking and marketing facilities. At least for the present, states the study, Japan might well concentrate on relatively low-priced machinery, machine tools and other durable capital

goods needed in other Far Eastern countries in undertaking development.

UNIFIED FOREIGN AID

Recent weeks have brought recommendations that our foreign aid activities be coordinated and brought under a single roof. But as the war with Communism grows hotter, foreign aid as a weapon shines with less lustre. When in March President Truman asked Gordon Gray to write him a report, the Korean crisis was undreamed of. The outbreak of that momentous development required a complete revamping of the already-drafted Gray report. The first draft was addressed to a seemingly endless dollar shortage abroad. The war, with its zooming commodity prices and huge U. S. imports, closed the gap in a hurry. Then, on what was once Armistice Day, the revised Gray report was released. It recommends, "for several years" to come, continued grants and loans to other countries, expansion of the Eximbank's resources to $5-billion, creation of an agency within the U. S. Government to coordinate operations in the foreign economic field with overall foreign policy, etc.

ECA SHOULDERS ARMS

Under pressure from many sides to taper off, ECA has turned from economic to military objectives. Urgent economic needs in Europe have now been met, ECA states, so it proposes to help the North Atlantic Treaty nations "meet their obligations." Also, ECA will continue economic aid, especially to the former Axis countries in Europe, and Greece. In Korea ECA was all set for a long-time job, when the Chinese hordes poured across the Yalu. In French Indo-China ECA continues active. Even in Papeete it has built a drydock, while Indonesia is expecting help out of the "general area of China" ECA funds. All this is in keeping with ECA's role of buttressing U. S. foreign policy vis-a-vis Communism.

POINT IV APPOINTMENTS

In December, the Point IV organization was given formal shape. Dr. Henry Garland Bennett, president of Oklahoma Agricultural and Mechanical College, became director of the $34,500,000 program. Two days earlier President Truman appointed an advisory board of 11 to assist Nelson A. Rockefeller in planning the Government's aid to underdeveloped areas. The group is called the Advisory Board on International Development. Among its more prominent members are former Ambassador to Germany James W. Gerard and Harvey S. Firestone, Jr., whose company has been active in developing rubber plantations abroad. Mr. Rockefeller's appointment has whetted the hopes of the Latin Americans, who remember the dollars that rained on the Southern Hemisphere through the office of the Coordinator of Inter-American Affairs during World War II. With rare unanimity the UN General Assembly has endorsed a study program looking toward "an expanded and steadier flow of foreign capital for economic development."

NAM COMMENTS

The NAM, commenting on the Gray report, suggests that it may stir up great controversies with its foreign-aid proposals and even greater controversies with its recommendation that the U. S. join the ITO; that the U. S. set up stabilization credits to permit convertibility of foreign currencies, particularly sterling; that the Reciprocal Trade Agreements Act be renewed for four years and new tariff reductions be granted; that we stop encouraging the growing of farm surpluses through subsidies; and that we reduce shipping subsidies. The Chamber of Commerce in turn, in the course of an analysis of ERP, describes a single, unified foreign assistance program as urgently needed. "Continuation of ECA on its present pattern and scale cannot be justified in the light of the extent of the economic recovery of Western Europe," states the Chamber, while harking back to the long-time U. S. "objectives" of elimination of trade discrimination and restoration of currency convertibility.

LETTERS OF CREDIT—ECA

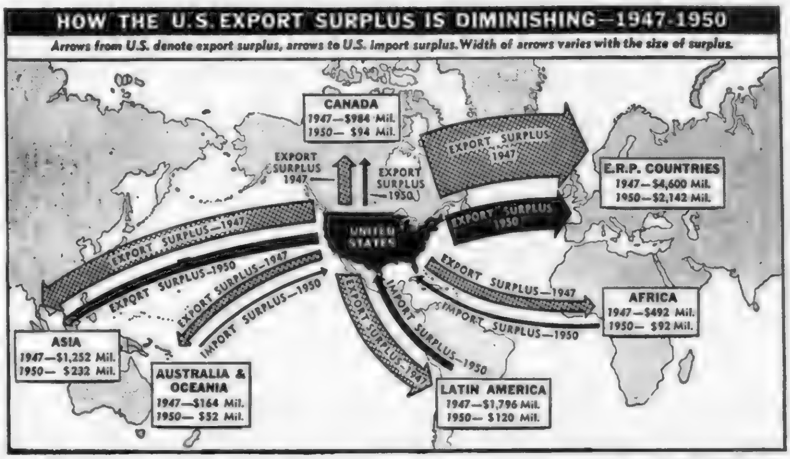
ECA's Small Business Division announces that it has received a few complaints from firms which have been told by American issuing banks that exporters wishing to have the banks confirm letters of credit must pay a fee therefor. The announcement continues:

> For the information of exporters, letters of credit are commercial documents over which ECA has no control. Established ECA regulations do not specify the types of letters of credit that may be established in an exporter's favor in cases involving ECA-financed transactions.
>
> The terms of letters of credit must be agreed upon mutually by the exporter and importer in the terms of sale as though there were no financing by ECA. Therefore, it is necessary for the exporter to determine the type of credit that is satisfactory to him, and under which he is willing to do business, and so inform the importer.
>
> If the exporter should decide that a confirmed irrevocable letter of credit is the only type that is satisfactory to him, it will become necessary for the importer to establish this type of credit and pay confirmation charges. There is no reason why an exporter cannot insist on confirmed irrevocable letters of credit for ECA-financed transactions.

STOCKPILING

Military stockpiling, as well as early defense-production needs, is behind the numerous limitation orders issued by the National Production Authority. Up to early December, at least, there was considerable feeling that perhaps the NPA was going too fast in cutting back ci-

(CONTINUED ON PAGE 106)



FROM THE NEW YORK TIMES

Credit Unions Have 4-Million Members

J. R. DUNKERLEY

MR. DUNKERLEY *is deputy manager of the American Bankers Association, and secretary of the Savings and Mortgage Division.*

FEDERAL and state chartered credit unions have had an astonishing growth since the war and are a billion dollar industry today with approximately four million shareholders. No less an organization than the American Federation of Labor is back of efforts in Congress to expand the powers of the Federal credit unions.

These developments suggest that bankers should become more familiar with this movement. Up to this time it seems fair to say that banks in general have favored the development of credit unions. In fact, some of these unions have been organized within the personnel of individual banks. It may be, however, that unions which have developed with the assistance of bankers deviate from the original purpose.

It is difficult to obtain detailed data concering the development in industrial companies. However, it would seem wise for banks to examine the situation in their communities to determine:

(1) Are these credit unions confining themselves to purposes for which they were organized?

(2) Have any been organized because banks are not furnishing adequate savings and small loan facilities?

Perhaps we should take a good look at this credit union situation, and at the same time study our own services in relation to the needs of the community.

At any rate, we have assembled the following information to show the progress of the credit unions up to the present date and to apprise the banking business as to the expansion being promoted by the American Federation of Labor.

A credit union is a cooperative society with the two-fold purpose of providing its members with readily available credit at a reasonable cost, and of encouraging systematic savings yielding a fair return.

Such credit unions are of particular assistance to individuals of small income when in financial need because without such unions those people might be at the mercy of loan sharks with their usurious interest rates.

History

Small farmers and artisans of Germany suffered greatly at the hands of usurious money lenders in the early part of the 19th Century. Recognizing the seriousness of the situation, Frederick William Raiffeisen and Francis Frederick Schulze (better known as Schulze-Delitzsch) formed cooperative organizations in which these people pooled their savings to provide money for those of their number who were in need of credit. The Raiffeisen banks were rural cooperative banks and the Schulze-Delitzsch banks were urban popular banks. Cooperative organizations were soon organized in other European countries by farmers and workmen.

Although a credit union was organized by the Boston *Globe* as early as 1892, it wasn't until 1909 that a state—Massachusetts—took cognizance of the movement by enacting a law specifically authorizing and regulating credit unions.

The credit union movement expanded very slowly after the passage of the Massachusetts law and in 1921 the Credit Union National Extension Bureau was formed for the purpose of accelerating the expansion of the credit union movement. Edward A. Filene, a Boston merchant who had devoted much time to credit unions, financed this bureau. A standard bill was drawn up and its passage was sought in the state legislatures. By 1929 credit union acts were on the statute books in 32 states, 22 having been enacted since 1920. By the end of 1949 the only states not having state-chartered credit unions were Delaware, Nevada, South Dakota, and Wyoming.

As the number of associations became large enough, state union leagues were formed. In 1934 credit union leaders from 21 states drafted a constitution and by-laws for a national association of credit unions. This instrument was ratified by the state leagues which then elected directors to the first national board. Mr. Filene was the first president of the Credit Union National Association, which superseded the old Credit Union National Extension Bureau.

Because some state laws are unsatisfactory and imposed undue obstacles to the formation of new associations and burdens on those in operation, the Federal Credit Union Act was passed by Congress in June 1934.

It is difficult to get specific information regarding the rules and regulations of state-chartered credit unions, and, of course, there is variation. The following description of Federal credit unions, however, outlines the basic principles which are inherent in all state-chartered credit unions.

Membership in a Federal Credit Union

Membership in credit unions, organized and operated under Federal charters, is "limited to groups having a common bond of occupation, or association, or to groups within a well defined neighborhood, community, or district."

Persons having this common bond must then be elected to membership by the directors of the credit union. A new member must pay an

entrance fee of 25 cents and must agree to subscribe for at least one $5 share payable at the time of subscription or in equal instalments.

The employees of the Dry Dock Savings Institution of New York City organized the Dry Dock Federal Credit Union in 1947. This is believed to be the first credit union ever to be organized among employees of any bank in New York State and the first among personnel of any of the country's mutual savings banks.

About 25 years ago, the employees of the Empire Trust Company in New York formed the Equity Society, whose functions and purposes were very similar to those of credit unions. This society disbanded after a few years.

The Guaranty Bank & Trust Company of Worcester, Massachusetts, was founded in 1915 as the Skandia Credit Union. Its purpose was to make available to people coming to Worcester for work in industrial plants during World War I funds to purchase homes. In 1930 this union became a chartered bank.

Credit unions have been organized by employees of Cleveland Trust Company, the National City Bank of Cleveland, The First National Bank of Madison, Wisconsin, and the Liberty National Bank & Trust Company, Louisville, Kentucky.

Supervision

Under the Federal Credit Union Act, the Credit Union Division was created in the Farm Credit Administration for the purpose of supervising and rendering services to credit unions formed under the act.

Effective May 1942, the President, under the First War Powers Act transferred supervision of Federal credit unions to the Federal Deposit Insurance Corporation. This temporary transfer of authority, which would have ended six months after the termination of the war, was made permanent by the President's Reorganization Plan of 1947.

In 1948 a bill was proposed and passed in Congress to transfer the administration of the Federal Credit Union Act from the Federal Deposit Insurance Corporation to the Federal Security Agency.

It was generally felt that the supervising and examining of Federal credit unions was not related to the general functions of the FDIC, as there is no insurance of shares of a Federal credit union. It is only when the credit union's funds are deposited in an insured bank that these funds enjoy indirectly the protection of deposit insurance.

State chartered associations are usually supervised by the state superintendent of banks.

Management

A Federal credit union is run exclusively by its members. Its business affairs are handled by a board of directors, a credit committee, and a supervisory committee. Committee members are elected at annual elections by and from the membership.

The board of directors is composed of at least five members and directs the operations of the credit union. It elects from its own membership the officers of the credit union who are the president, the vice-president, the treasurer, and the clerk.

The credit committee considers loan applications submitted by members. The committee will inquire into the character and financial condition of the applicant in order to determine whether the loan is for a provident or productive purpose, whether it will be of benefit to the applicant, and whether he is financially able to carry the requested loan. This committee is made up of three or more members.

The supervisory committee audits the books of the credit union at least quarterly. It also reports to the members annually as to the financial condition of the credit union.

Shares and Dividends

A new member, as mentioned before, must agree to subscribe to and pay for, in cash or instalments, at least one $5 share.

Since the union's purpose is to promote systematic savings, members in arrears in their payments may be subject to a small fine. This fine, which may be imposed by the board of directors, would amount to one percent per full week on each $2 or fraction thereof of the instalments in arrears. A fine cannot be less than 5 cents.

Money paid in on shares may be withdrawn on any day when payment for shares may be made. The board of directors has the right to require members to give 60 day's notice, however. No member may withdraw below the amount of his total liability to the credit union as borrower or guarantor.

For the protection of the shareholders, all records of the credit union are examined at least quarterly by the supervisory committee as well as once a year by the Bureau of Federal Credit Unions. The Treasurer of the credit union is bonded, and all cash receipts received must be deposited regularly in a bank whose deposits are insured by the Federal Deposit Insurance Corporation. Written permission of the Bureau of Federal Credit Unions must be obtained in order to deposit cash receipts in an institution the deposits of which are not insured by the FDIC.

At the annual general membership meeting, a dividend may be declared from net earnings for the year, after all operating costs have been deducted and after 20 percent has been set aside in the reserve fund for bad loans.

When a member has paid for one share, he is eligible for his proportionate share of the annual dividends that may be declared by the members. Six percent has been set as the maximum annual dividend rate which may be paid to members of the credit union.

Loans

When a person has become a member, and has paid the first instalment on his shares, he then may apply for and receive a loan.

Loans are made only to members for "productive or provident" purposes and so the credit committee may grant loans to pay dental or other bills, for auto financing, to buy clothing, furniture, or other necessities, for educational purposes, for vacation purposes, etc.

Maturities of loans made by Federal credit unions to members cannot exceed three years and interest on such loans cannot exceed one percent per month on the unpaid balance. No loan in excess of $400 may be made without adequate security.

An adequately secured loan may not exceed $200 unless the credit union's paid-in and unimpaired capital and surplus exceed $2,000. In that case, the maximum size of a secured loan is 10 percent of such capital and surplus.

Every Federal credit union must

(CONTINUED ON PAGE 118)

Buildings like those above left cannot be saved, while those above right are in good condition and should not be torn down

A Chicago Bank Joins in

J. ROSS HUMPHREYS

The author is president of the Central National Bank in Chicago and chairman of the Near West Side Planning Board, Inc.

A 12-YEAR-OLD Chicago boy wrote this about his neighborhood: "I don't like the area because the streets are too dirty. You can't play football in the streets because you might fall down and get cut or hurt. If you go in an empty lot to play, there are house bricks. If you go to the park someone might steal your ball. Instead of the people putting the garbage inside of the can where it belongs, they throw it around the cans so the rats, cats, and dogs could scatter it all over the alley."

This letter, scrawled in childish script by a youngster from Chicago's declining Near West Side, was written in a contest sponsored by the Catholic Youth Organization. The other contest letters were equally heart-tugging.

Letters like these are among the reasons the Central National Bank in Chicago is participating to the fullest extent in a community effort to redevelop and rehabilitate the Near West Side of the city, an erea which constitutes part of the region the bank serves.

A multitude of other factors also prompt the bank's interest in rehabilitation of the Near West Side. These problems face not only the banks in the area but other businessmen as well—loss of customers who move away or take their deposits or purchases elsewhere; difficulty in attracting and keeping employees and getting them to work on time; higher wages demanded because of time and cost of transporta- to work; dangers of fire, breakage by children and delinquents; high fire, theft, and plate glass insurance rates and extra cost for special watchmen; loss of efficiency because of dirt, smoke and noise; loss in value of property, and ineligibility of property for FHA insured mortgages. These and similar problems are also the problems of the people who live in the area.

Bank Plays Vital Role

Recognizing the vital role a bank can and must play within its community, the Central National, a year and a half ago, joined with other businesses, with educational, religious, and social agencies and with people of the area in forming the Near West Side Planning Board, Inc. Since then, the bank, as well as all others concerned, has gained from this community effort a new concept of redevelopment.

The Planning Board has been the suggestion of the West Side Community Committee. It has become the agency through which all the potential resources for the reconditioning of the community are being matched with all the requirements of the community.

In discussing the problems and possible solutions, the banker is across the table from the housewife. The social worker sits next to the politician. The public houser is near the investment broker. Big business is on the same committee with the neighborhood shopkeeper, who sits next to the priest. All nationalities and races are represented.

In Chicago, as elsewhere, investment funds are available for the type of redevelopment that has previously been accepted as practical in metropolitan cities, namely, the mass eviction of present occupants and complete clearance of buildings from a large tract of land, followed by mass construction of a new neighborhood for a new commercial and residential population.

This has been considered the only practical way until now, because investors, both public and private, require the lasting protection assured by modern planning techniques and a sufficiently large area in which to apply them. Investors and planners alike have felt that land and property values of new structures could not hold up unless everything was wiped out and a new start was made.

Famous Maxwell Street *(above left)* is in the neighborhood. Mixed land use *(above right)* is a problem on the Near West Side

Community Redevelopment

However, the Near West Side Planning Board was not satisfied that this method answered all questions, met all requirements or solved all the problems of the area. In a physical sense, a combination of all the techniques of planning design and types of construction is needed because of the contradictory and complex nature of the area. On a human level, mass clearance is not practical because the people of the locale have a prior right to their small homes and investments.

One of the major causes of deterioration has been unwillingness of businessmen and residents to use existing land resources for rehabilitation and rebuilding due to fear of drastic, uncontrollable change. This fear has been dispelled by participation in the board, with the result that local resources and energy are available.

A new concept of redevelopment, therefore, has been taking shape. Board members have pondered the question: "Can the job of redevelopment be accomplished so that investment capital is protected by the techniques of modern planning and so that, at the same time, local people with home and business roots deep in the area participate?" In other words, can planners avoid shoving out, clearing out, established residents and businesses in producing a modern efficient community? The answer of the board and its component elements, after careful study, is "Yes!" However, the details of such a combination plan, the attracting of investment capital to such a new type of redevelopment, remain to be accomplished.

The Near West Side is similar to older sections of most large cities. If the Planning Board can work out and effect sound redevelopment for one section under this concept, it may provide a pattern for other areas throughout the country.

Ten minutes from the Loop and 15 minutes from Lake Michigan lies the Near West Side, a 100-year old slice of Chicago, 1.7 square miles in area. It is sandwiched between the Chicago River, a new main artery of the superhighway system, a new multi-million dollar medical center, and a major system of railroad tracks.

"Area of Contradictions"

The Near West Side is a melting pot of many peoples, of old-timers and newcomers. Of its 55,000 population, 30,000 are white and 25,000 Negro. Approximately 20,000 of the white population are Italian and 5,000 are Mexican. Some residents representative of each nationality group have lived there for many years.

Residential buildings are more than 50 years old with few exceptions. While about half are dilapidated, half are not. All the public schools were built before 1900; all have been classified as inadequate or obsolete. While some are badly overcrowded, others have less than their full quota of pupils because so many familes have moved away.

In this area of contradictions, new commercial and industrial structures like those built by the Coca-Cola Company, General Electric Company, and Marshall Field & Company exist side by side with dingy, dilapidated factories and warehouses. This greatly congested district, which contains famous Maxwell Street with its sidewalk traders, has greatly mixed land use, ranging from heavy manufacturing to private individual homes.

In one part of the area where a special study was made, approximately 13 percent of the families have income below $3,000 annually and are eligible for public housing, 17 percent have incomes over $4,500 a year, but 70 percent of the families fall somewhere in between. In the midst of the section are 1,800 low-rent public housing units; 300 excess-income families who are no longer eligible for public housing are desperately looking for private accommodations.

While only one-third of the people of the area work in local industry,

(Continued on page 105)

HARRISON AND ABRAMOVITZ, GILL AND HARRELL, ARCHITECTS

STILES CLEMENTS, ARCHITECT

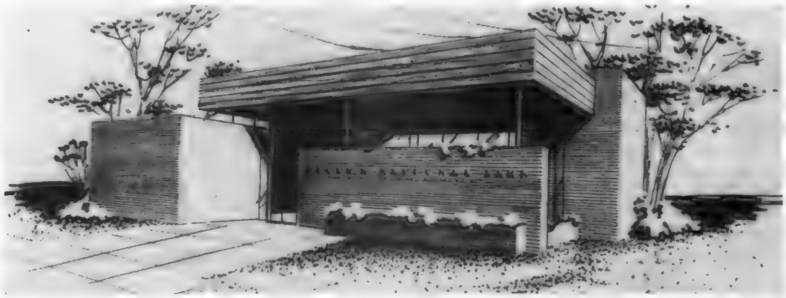
Van Nuys branch, Citizens National Trust & Savings Bank of Los Angeles

Some Unusual Bank Buildings

Left, skyscraper home of the Republic National Bank of Dallas, Texas

Right, Mercantile National Bank of Dallas offers three acres of underground parking facilities

WALTER W. AHLSCHLAGER, ARCHITECT



Left, the type of branch building being constructed by the Fulton National Bank, Atlanta

Below, branch building of the Union National Bank of Charlotte, North Carolina

M. R. MARSH AND W. H. PEEPS, ARCHITECTS

Lower left, interior of a new branch of the Clinton Trust Company, New York City

Lower right, scenes showing the Olentangy office, City National Bank & Trust Company, Columbus, Ohio

EMIL BACKSTROM, ARCHITECT

DOWNIE W. MOORE, ARCHITECT

Officers of the Nebraska Conservation Foundation. *Left to right,* Secretary-Treasurer Davis, Executive Director O'Hair, President Kenner, and First Vice-president Jorgenson

250 Nebraska Banks Back Lively Conservation Program

ARTHUR W. EMERSON

The author is chief of the regional division of information and education of the United States Conservation Service and is based in Lincoln, Nebraska.

"SOIL and water conservation pays," so say Nebraska bankers. In their opinion it pays so well that more than 250 banks put up almost $20,000 in dues in 1950 to support their belief. From October 1949 to October 1950 more than 50 percent of all banks in Nebraska became backers of the Nebraska Conservation Foundation. Not only did these Nebraska bankers put up money, but they also held meetings, attended field demonstrations, bought literature, entertained farmers, ranchers, Soil Conservation Service and College of Agriculture people in order to learn more about Nebraska soils, their uses, and preservation.

Late in 1949 the Nebraska Bankers Association sponsored the organization of the Nebraska Conservation Foundation and persuaded Fred O'Hair, president of the Central National Bank of Greencastle, Indiana, to assume the directorship. Mr. O'Hair already had a national reputation as a banker-conservationist and his stature increased during 1950.

Foundation's Officers

In addition to Mr. O'Hair, the officers of the Foundation are: *president,* J. R. Kenner, president, Thayer County Bank, Hebron, and president, Nebraska Bankers Association; *first vice-president,* A. J. Jorgenson, president, American National Bank, Sidney; and *secretary-treasurer,* John P. Davis, vice-president, First National Bank, Omaha.

The Foundation's program includes giving assistance to its members in each community in the promotion of soil and water conservation practices. It supports the technical practices recommended by the U. S. Soil Conservation Service and the College of Agriculture, working closely with soil conservation district supervisors and district cooperating farmers and ranchers.

On request, in close cooperation with local bankers and soil conservation district supervisors, it (1) arranges meetings, programs, tours and demonstrations, and furnishes speakers; (2) suggests promotional programs adapted to the problems of the community; (3) supplies literature for distribution by local banks; (4) is available for consultation on agricultural financing; (5) acts as a clearinghouse to bankers and related businessmen for authentic information on soil and water conservation practices and developments.

All-Expense Trips

A number of banks in Nebraska paid the expenses of local soil conservation district supervisors to

(CONTINUED ON PAGE 108)

NEWS *for Country Bankers*

This news covering various aspects of country banking was compiled by MARY B. LEACH *of* BANKING'S *staff.*

Land Prices at Peak

THE farm land price index reached a new all-time high, or 179 percent of the 1912-14 average, on November 1, 1950. The index was 168 percent on November 1, 1949.

Speaking on "The Farmer, the Banker, and Defense" before the National Credit Conference of the American Bankers Association in Chicago last month, W. W. Campbell, president of the National Bank of Eastern Arkansas, Forrest City and chairman of the A.B.A.'s Agricultural Commission, compared trends in farm commodity prices, now 16 percent higher than a year ago, with farm land price trends.

"It is reasonable to expect that if farm commodity prices continue to rise," said Mr. Campbell, "we may see a corresponding upward movement in farm land prices.

"There is some evidence *now* that farmers, induced by the inflationary prices on farm commodities, are willing to mortgage their clear farms to buy more land. Every bank should remember what happened after World War I when the results of such a practice broke many farmers and the bank, too, that did the financing."

Mr. Campbell pointed out that "the total farm indebtedness has increased 50 percent from the low point reached in 1946. In the past four years, agricultural loans held by the banks have more than doubled. However, it should be kept in mind that farm indebtedness is less than 10 percent of the total value of all agricultural assets."

Government defense program demands call for all-out agricultural production, Mr. Campbell said. "Thus the present situation is a challenge for banks to have a thorough understanding of the business and financial problems of the farmer and how loans can be made that will help him to produce more and better food, and staples which go into our industrial machinery."

200 Banks Buy Tree Planters

A DOUBLE-SEATED tree planter which will be available through the county agent to any farmer or landowner of Fulton County, Georgia, without charge, was presented recently to County Agent Sid Truitt by Erle Cocke, Sr., president of The Fulton National Bank, Atlanta. The Fulton National has spearheaded a statewide movement to help Georgia farmers plant idle and unprofitable farm land with seedling pine trees.

The planter will enable farmers of Fulton County to plant up to an acre per hour, or about 800 seedlings per hour. It will plant seedlings 6 to 10 inches deep in almost any kind of soil.

Over 200 community banks throughout Georgia are buying tree planting machines, and making them available free to farmers and landowners, according to President Cocke. Seven major Georgia railroads and many of the short line railroads are cooperating with the banks to help the farmers of Georgia to plant their idle or submarginal land with quick-growing pine trees which will be marketable in about 10 years.

Also cooperating in this statewide project are the Georgia Bankers Association and various forestry groups.

Tree planter presented to Fulton County, Georgia, farmers, by the Fulton National Bank. President Cocke, *right, standing*, presents planter to County Agent, Truitt, *left*

Forestry Camp Sponsors

A DOZEN Ohio banks were among the contributing sponsors of the first Ohio Forestry Training Camp, directly sponsored by the Ohio Forestry Association at Camp Muskingum, Carroll County. Each boy attending had a local sponsor who contributed at least $10 toward the total expense. Special contributions furnished the balance. The contributing banks were The Farmern National Bank, Salem; First National Bank of Burton; Chardon Savings Bank; The Peoples Bank, Canal Winchester; The Middlefield Banking Co.; The Farmers & Merchants Bank, Logan; Citizens Bank, Wadsworth; The Old Phoenix National Bank, Medina; Farmers Bank & Savings Co., Pomeroy; First National Bank of Mantua; The Security Central National Bank, Portsmouth; and the First National Bank, Marietta.

(CONTINUED ON PAGE 64)

How the Recordak Co-ordinated System reduces costs, increases protection in Community Banks

With an economical Recordak Junior Microfilmer any Community Bank can realize the same advantages that are enjoyed in a larger bank where Recordak microfilmers are installed departmentally to handle individual requirements.

● This is done by consolidating all microfilming work—following a simple, co-ordinated system which can be adapted readily to your present methods.

Here's how it works:

All incoming items (mail, teller, exchange) are collected at intervals and photographed in the Recordak Junior Microfilmer. Any clerk, as part of his daily routine, can do the job . . . recording up to 1,500 checks, deposit slips, cash tickets, etc., per hour, by merely placing them on the copy board and touching the exposure buttons.

Following this, the incoming items are entered on a proof sheet . . . and distributed to the various departments.

The system also calls for the microfilming of all outgoing documents which originate in the bank—return items, customer statements, etc.

As a result, the bank has a photographically accurate and complete record of every item which it has handled . . . is therefore protected as never before against internal and external loss or fraud.

And this is only the start!

Consider, now, the savings in time, effort, dollars that are realized in your daily operations when you adopt the Recordak Co-ordinated System.

It eliminates description of incoming items

Tellers no longer need enter any description on deposit slips . . . since the deposit slips themselves will be photographed along with the checks. (Many banks microfilm both sides of checks for a complete record . . . are thereby assured maximum protection.)

Result: Tellers can give faster, more efficient service at their windows—backed up, all the while, by a photographically accurate and complete record.

It eliminates duplication in bookkeeping

There's only one record to post . . . there's only one posting a day. Your bookkeepers post only to a statement which serves as a ledger during the month . . . after which it is photographed and forwarded to the customer along with his checks, which were recorded as they entered the bank.

Result: Bookkeepers can handle many more accounts . . . using 40% less equipment than is required in dual-posting...far less stationery, too.

It eliminates description in transit

An adding-machine tape serves as your transit letter.

Just list and total the check amounts —that's all! Description has already been taken care of . . . with the speed, the accuracy, the completeness of photography.

Result: At least 60% of the time now needed for transit work can be saved. And the job can be done by any clerk familiar with an adding machine.

It gives you these additional advantages

Free Facsimile Service. Should transit letters go astray you're fully protected and depositors are not inconvenienced. For Recordak will make facsimiles of the missing items directly from your microfilm records—*without charge.*

Greater Record-Protection. Your microfilm records can't be tampered with without detection. What's more, they require only 2% of the original filing space—you can keep them at your fingertips . . . or vault-store them if you wish. You can use the Recordak Junior for bank-wide microfilming, too . . . to de-bulk old records, to copy deeds, etc.

Your records can be referred to quickly, whenever needed . . . can be viewed enlarged, sharp and clear on a projection screen, which is an integral part of the machine.

Increased Good Will. Your depositors will appreciate the greater protection . . . the new services you can offer—such as being able to provide them with facsimiles of lost cancelled checks so that they can substantiate payments. As a matter of fact, many banks are building business by advertising the advantages of being Recordak-equipped.

Write today for full details on the Co-ordinated System . . . and *Recordak's new purchase or rental plan,* which allows you to install the versatile Recordak Junior Microfilmer on the low-cost basis you prefer. Recordak Corporation (*Subsidiary of Eastman Kodak Company*), 444 Madison Avenue, New York 22, N. Y.

RECORDAK

(Subsidiary of Eastman Kodak Company)

originator of modern microfilming—and its application to banking systems.

News for Country Bankers

(CONTINUED FROM PAGE 61)

Educational Livestock Tour

FOR several years 40 bankers from the Clarksville, Tennessee, trade area have been invited to take advantage of The First National Bank of Clarksville's two-Pullman-car excursion trip to the International Livestock Exposition in Chicago. Some of the farmers make the trip every year.

The farmers pay their own railroad, pullman, and hotel expense. The bank's budget of $500 to $600 covers transportation of its officers, sightseeing and other entertainment for the farmers.

Vice-president Frank E. Stafford organizes the trip, and he, President C. W. Bailey, and Vice-president Lewis C. Pace accompanied the farmers to the 1950 Exposition.

Here, briefly, are President Bailey's comments on the excursion: "On arrival in Chicago we get a big bus which takes us to the hotel. After being located and having breakfast the bus returns for the trip to the International Amphitheater. Our bus takes us on an hour's trip through many interesting points on the way. Our crowd is then unloaded at the International Show and the farmers pursue their own desires throughout the day. On the first evening our bank entertains at dinner for the crowd, with a few representatives from Armour, International Harvester, and other special guests. Next day the farmers are on their own, but we gather at the dining room of Armour and Co., for lunch. Over the years the local Harvester dealer has entertained at night and sometimes that entertainment has been very elaborate. This year we had a social hour and dinner at the Knickerbocker Hotel and it was fine. Our train starts home about 10 o'clock and the crowd is pretty well worn out by that time, ready to climb in, keep quiet, and go to sleep.

"We think the trip has stimulated a lot of thought. It certainly has created a gread deal of interest, been rather educational as far as livestock improvement is concerned, and is generally helpful throughout the trade area."

Farm Accounting to Fore

SINCE the recent expansion of Social Security coverage requiring farmers employing outside labor on a more or less permanent basis to file Social Security reports and to make periodic accounting of tax funds bankers and farm groups are increasing their efforts to induce the farmers to adopt farm accounting procedures suitable to their needs.

"Mail order" farm accounting service available in the five New England states through the Farm Bureau in Boston was discussed briefly on page 51 of September BANKING. More recently the National Grange announced its affiliation with a large accounting firm located in New York City. A coast-to-coast tax service is offered to Grange members through 52 established branch offices.

"It is a significant fact," said A. C. Holland, vice-president of The Hartford-Connecticut Trust Company, in commenting on this service, "and all bankers should take note, that both of these tax organizations require their clients to maintain checking accounts, along with other records, for the control of all the detail necessary to complete the tax reports. In fact the Farm Bureau accounting service calls for the use of a check book with a special stub intended to provide in detail practically all of the information required incidental to completing these tax reports.

"Our records reveal that many of our farming friends do not have checking accounts and I am sure that among the number of farmers who do carry checking accounts many do not use the kind of check book which best suits their needs.

"Through advertising and personal contact, we are directing our efforts to the promotion of our checking account services to farmers, giving particular attention to helping our customers select a check book which best meets with their individual requirements.

"In so doing, we believe we are providing another tool which present day conditions make necessary and which eventually will lead to more business and a solution to one of our basic credit problems."

Noninterest Loans to Farm Youths

SOME of the Future Farmers of America and 4-H Club members in Columbia County, Arkansas, surpassed their elders this fall and carried off a number of top awards at the Arkansas Livestock Show. This was made possible because of the Columbia County youth livestock and agricultural program of the First National Bank of Magnolia, Arkansas.

President C. W. Blewster told BANKING recently that his bank had 69 noninterest bearing livestock loans totaling $21,648.90 outstanding to FFA and 4-H members. In cooperation with county agricultural

(CONTINUED ON PAGE 68)

At the First National of Clarksville's Chicago dinner for farmers and special guests. President Bailey is seated in the *center* at head table

YOU CAN'T DO BUSINESS WITHOUT BOOKS

FROM:

Keeping the Farm in the Family

The best way to run a family farm business is to form a partnership with one or more of the family. There should be a written partnership agreement.

You must work out details of what is expected of each, so as to avoid misunderstandings later. Then see your lawyer. He will draw up an agreement which will

"Keeping the Farm in the Family"

BECAUSE of their inborn reluctance to borrow money, it is sometimes a slow process to sell farmers on improvements embracing modern farming methods, machinery, and scientific research. To meet this situation, The Canadian Bank of Commerce, Toronto, with some 600 branch offices from coast-to-coast, recently published a series of three small cartoon-picture story booklets which have rapidly become "best sellers" across Canada. Three more booklets in the series are in production.

The titles and frontispieces vividly convey the content of the publications. Their titles are: *Keeping the Farm in the Family; More Power to You;* and *Pasture on the Production Line.*

The main topics included are:

Father and Son Partnerships: Family Farm Business Agreements; Going Into Partnership; Dividing the Farm Income; Handing Over the Farm; and Protecting Your Plan.

Farm Machinery: Modern Machinery on the Canadian Farm; How Can I Use It?; How Often Can I Use It?; Well, What Equipment Do I Need?; And What About Other Power Equipment?; How Far Should I Go?; Tillage; Haying; Grain; Quantity and Quality?; and What About Repairs?

Pasture: Pasture Management and Soil Conservation; Good Pasture Does a Double Job; What Can Be Done About It?; Soil Testing; Manure and Fertilizer; Seeding; Controlled Grazing; and So—Remember (check list of essentials).

The circulation of these booklets is already over three-quarters of a million. This was achieved by over-the-counter distribution by branches and accelerated by a complementing series of newspaper advertisements. One of these ads is reproduced on this page. Each of the ads was written around one of the "best sellers" and some were illustrated with a photograph that ties into the theme and a cartoon from the booklet. Other ads carried only a cartoon from a booklet.

Behind the success of the series lies a great deal of planning and coordination. Tom Strothers, an agricultural specialist on the bank's staff, and Jack Huxley, advertising man with a degree in the science of agriculture, did much of the coordination. Each booklet credits the nonbanker authority assisting in its preparation, which included a farm economist, educator, and agrostologist.

The booklets are written in down-to-earth, commonsense language that farmers can readily grasp.

The cartoons illustrating the booklets are by a young Canadian artist who has a flair for research. Before he started on this project, the artist was thoroughly briefed on the bank's farm aid program. This, together with a boyhood farm background, enabled him to draw appropriate illustrations.

From this point on we will let the booklets speak for themselves through typical excerpts. (Start at top of this page.)

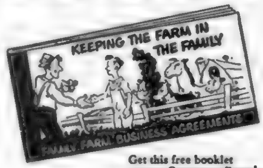
"SON . . . IT'S OUR FARM NOW!"

He sat back and sighed. His worries were over. All details were settled—he had prepared for the time his boy would take over.

Some time ago, he had dropped in to see his local Commerce manager. He wanted to arrange things so his son could gradually build up a share in the farm business—and then take over. Together, the farmer and banker drew up a plan. At last, everything was settled. There would be no misunderstandings—and best of all, the farm business would stay in the family.

IT'S NOT TOO LATE . . . make sure you keep the farm in *your* family . . . drop in and see your local Commerce manager—he'll be glad to help you.

THE STORY OF THE FAMILY PLAN



Get this free booklet at your Commerce Branch

Sponsored by

The Canadian Bank

protect the remaining partner or partners if anything happens to one of the family.

The main things to be covered are:

(1) How long you want the agreement to run, and how it can be renewed.

(2) Who each partner is, and what each is to contribute.

(3) How the banking, farm records, and other business details will be looked after.

(4) How the net farm income will be determined, and what will be included, and income expenses.

(5) How and when the income will be divided.

(6) What the living arrangements will be, and how any joint household expenses will be shared.

(7) What procedure will be followed in case of disputes.

Before going to see your lawyer, talk your problems over among yourselves . . .

SURE—
POWER SAVES LABOR, TIME
AND BEATS THE WEATHER

* * * * *

FROM: *More Power to You*

Farm mechanization can be achieved successfully over a period of years. You should, however, try to plan your mechanization program right from the start, and each year add the equipment that will help you best. Here are the advantages of mechanization:

(1) It reduces heavy manual labor.

(2) It cuts down the number of men per farm operation.

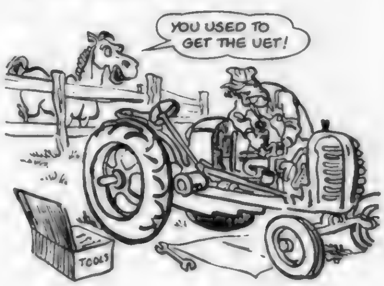
(3) It increases the speed of operation.

(4) It enables continuous round-the-clock operation when you want it, overcoming weather factors.

(5) And because of these advantages it lowers cost of production.

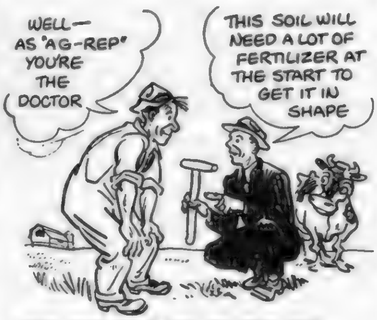
And one of the most important advantages of mechanization is that it will help to keep the farm in the family.

TO KEEP DOWN COSTS—



KEEP UP CARE AND MAINTENANCE

* * * * *



FIRST TEST YOUR SOIL TO FIND OUT WHAT IT NEEDS IN FERTILIZER . . .

FROM: *Pasture on the Production Line*

GOOD PASTURE DOES A DOUBLE JOB AS FEED—

(1) It's cheap. Corn silage costs three times as much per ton of feed value, as pasture. Oats seven times as much.

(2) Pastures have fewer natural enemies than most other crops. Insects, diseases, weather conditions, do not affect pastures to the same extent, and therefore do not need the expensive upkeep and care as do other crops.

(3) Pastures require less work than other crops.

(4) Feed from good pastures has high food value. Tests of grass-legume mixture pastures . . . showed them to have a protein content of over 20%. . . .

(5) Good pasture herbage contains . . . minerals—good for growing animals.

IN SOIL CONSERVATION—

While your pasture is feeding your stock, it can also increase the value of your farm land. A good grass-legume pasture acts in three main ways to improve the soil: . . .

JUNE . . .

NEGLECTED PASTURE IS WASTE OF LAND—
DOES NOT YIELD ENOUGH FODDER—
CAN NOT CARRY ENOUGH STOCK—
BURNS UP IN DROUGHT—
INVITES WEEDS AND EROSION.

AUGUST?

John Emery, assistant secretary of The Canadian Bank of Commerce, Toronto, advises BANKING that sample copies of the bank's farm relations booklets and advertisements described in these pages will be sent to U. S. banks upon request.

News for Country Bankers

(CONTINUED FROM PAGE 64)

leaders and responsible families, the First National annually aids FFA and 4-H members in a practical way.

A permanent committee, composed of President Blewster, the county agent, county vocational agricultural teachers, and two prominent farmers, laid out the plan. After considering several possible programs, the noninterest bearing loan plan was adopted. It includes a breeder and a feeder program. Although emphasis at this time is on beef and dairy cattle and swine, the program also includes poultry. Only registered livestock is eligible as security for loans.

"Our experience," said President Blewster, "has been very pleasant. We have never had any trouble with any of these loans."

Three photo murals featuring livestock, tobacco, and good land use through contour plowing, strip cropping, and meadow stripping were recently installed on the lobby walls of The Peoples Bank, Roxboro, N. C. Farms shown in the murals are greatly improved by sound farm methods, reports Executive Vice-president G. C. Hunter

Soil Contest Judges

"BANKERS of Colorado are helping make the annual *KLZ-Denver Post* statewide soil conservation contest a success!" So says KLZ farm reporter, Lowell Watts, who with Ralph Partridge, farm editor of the *Denver Post,* has just finished the third consecutive soil contest sponsored jointly by the radio station and the newspaper.

Preliminary judging in the contest was done by 11 regional teams made up of four members, which included a farmer, district conservationist, county agent, and a banker.

The banker judges who aided in the contest were: G. Aubrey Spear, Greeley National Bank, Greeley; Winford Griffin, Farmers State Bank, Calhan; Walt R. McKinstry, First National Bank, Julesburg; A. E. Creighton, First National Bank, Flagler; J. Ford White, First National Bank, Salida; John Rawlings, First National Bank, Las Animas; Harry Peterson, First National Bank, Trinidad; V. P. Crenshaw, vice-president, Farmers and Merchants Bank, Monte Vista; Richard Macomb, Burns National Bank, Durango; Jack Pixler, First National Bank, Olathe; and Bert Cruse, Routt County National Bank, Steamboat Springs.

1,000 See Potato Show

OVER 1,000 people visited the potato show in the lobby of the Springville office of the Manufacturers and Traders Trust Company, Buffalo, New York. This included three vocational agriculture classes from the Springville schools. Twenty-five growers entered 65 exhibits.

Awards of ribbons were made for the best plate in each variety with a $25 Savings Bond for the best exhibit. Cash prizes were given out for second, third, and fourth place winners.

Potato Show in lobby of the Springville Office, Manufacturers & Traders Trust Co., Buffalo. *Left to right,* Farm Representative Clyde Johnston; Assistant Secretary Harry Richardson; and H. J. Evans, secretary, New York State Co-operative Seed Potato Growers and exhibit judge

This exhibit is one of the bank's farm development efforts, which have included youth jamborees for 4-H Club members and pasture improvement programs.

Soil Conservation Guide

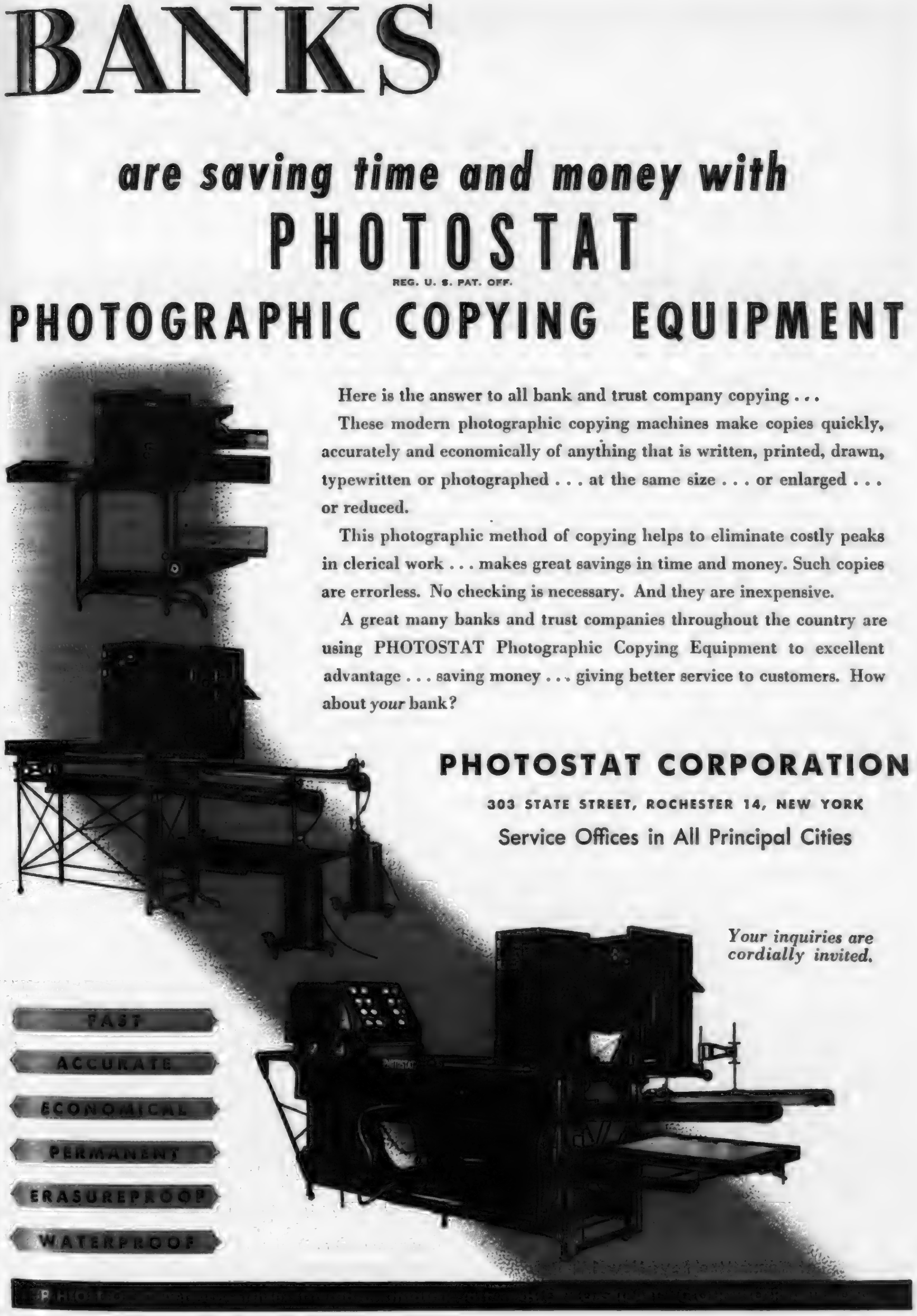
INDIVIDUAL banks and county and state bankers associations interested in developing soil conservation programs may find *Sharing the Job . . . A Suggested Program for Greater Service* a useful reference guide. This booklet was published by The National Association of Soil Conservation Districts in League City, Texas.

In this publication the association outlines an organizational framework for district and statewide soil conservation projects geared to outside group cooperation.

Forestry Manual

BANKS and state associations having forestry programs may be interested in a new teacher's manual, *America's Strength Grows in Her Forests,* published by American Forests Products Industries and now being distributed to elementary and high schools in all 48 states. Free copies are available from the publisher at 1319 18th Street, N.W., Washington 6.

The teacher's manual, prepared by *Grade Teacher Magazine* of New York, in cooperation with American Forest Products Industries, covers the complete history of forestry in the United States, starting with the Viking discoveries. The manual outlines many ways of adapting forestry study to regular classroom activity. Throughout the manual forest fire prevention and improved woodland management are stressed.



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The Investment Market

Governments—Other Securities

Government Bonds

MURRAY OLYPHANT

MR. OLYPHANT, *on the faculty of The Graduate School of Banking, is a Government bond and money market specialist.*

Federal Reserve and Treasury Agree

THE difference of viewpoint between the Federal Reserve authorities and the Treasury Department, which had prevailed in the mid-summer and early fall refinancing operations, was resolved on November 22 when Secretary Snyder announced the terms on which the total of about \$8-billion 1½ percent bonds and 1⅛ percent certificates would be exchanged.

1¾ Percent For Five Years

The selection of a 5-year note with a 1¾ percent coupon was in line with the market and with the suggestions made to the Treasury by banking groups; and it had the effect of confirming the flattening of the interest curve between the shortest and longest Government securities which had previously occurred. It produced a much needed increase in the available supply of marketable bonds in the 5 to 10-year maturity range, and perhaps forecasts a change in the recent policy of the Treasury of steadily increasing the total of "floating" debt. With about \$39-billion of obligations callable or maturing in the second half of 1951, the opportunity certainly exists for a further decompression of the early maturity incubus.

The matured 1½ percent bonds were originally issued in June 1945 as part of the "basket" of offerings in the 7th War Loan Drive. Previous drives had included 8 to 10-year 2 percent bonds. At that time the 1½ percent confirmed the trend toward lower interest rates. Another 2 percent 8 to 10-year bond would probably have gone to too great a premium. The current issue is confirmation of the reverse trend, which has taken place as the credit authorities moved to restrict credit expansion, and may possibly mark about the peak of the rise in short term rates.

Open Market Committee Buys New 1¾ Percent

Prior to the refunding of the 1½ percent bonds and 1⅛ percent certificates, the Treasury survey of ownership revealed that, while commercial banks had about 40 percent of the maturing issues and would probably welcome the exchange—nearly 50 percent were held in the "all other" category which includes large corporations, states and municipalities, pension and retirement funds, etc.—there was natural doubt as to whether such holders would be willing to stretch their maturity to the 5-year limit. In consequence, as only very small holders of the maturing issues, and in order to prevent cash demands on maturity, the Open Market Committee not only bid freely for both the maturing issues at prices which enabled holders to do their own refunding, but supplied the shorter term issues desired in exchange. It was generally understood that the Open Market Committee would like to build up a substantial block of the new notes in order to have enough to hold over the market in case later demand should produce undue premiums. Furthermore, it was not felt that dealers' positions, which in the past might have performed the function of increasing the amount on the shelves, could now be expected to do so because of the higher cost of borrowed money.

This action by the Open Market Committee and the bid of 100 2/32 made and maintained as soon as trading commenced on a "when issued" basis was not effective in preventing a rise in amount of all Government issues held by the Federal. In the two weeks from November 22 to December 6 the total rose \$943-million as the net result of acquisitions of \$1,538,000,000 of the 1⅛ percent certificates, \$204-million of the maturing 1½ percent bonds, \$123-million bills, plus \$99-million long bonds, while \$1,021,000,000 of the 1¼ percent notes maturing in 1951 were sold to the market. So once again the Federal found it necessary to increase the total of Federal Reserve credit which led to a further rise in commercial bank deposits already swollen by the weekly increases in total loans. Carrying water on both shoulders is a difficult operation.

Federal Reserve Offsets Action of All Other Investors

Comparison of the detailed ownership of all marketable Government securities on December 31, 1949, and

on August 31, 1950, as tabulated in Treasury Department figures gives a very clear picture of just what the various broad groups of investors did during the period. The record once again shows that what the Open Market Committee does is to offset the net result of the actions of all other holders of the Government marketable debt.

For the period covered, the ownership of bills, certificates and notes, eligible bonds, and ineligible bonds for the ownership groups changed as follows:

NET CHANGE IN TOTAL OWNED

(000,000 omitted)

	Federal Reserve & Treasury a/c S	*Comm'l Banks*	*Savings Banks*	*All Ins. Cos.*	*All Others*
Eligible bonds .	+$1,979	−$1,922	−$541	−$860	− $618
Ineligible bonds	− 2,392	+ 66	+ 535	+ 326	+ 1,466
Net of eligible and ineligible bonds	− 413	− 1,856	− 6	− 534	+ 848
Treasury ctfs. and notes ...	+ 2,398	− 673	− 78	− 105	− 858
Treasury bills..	− 2,535	+ 127	+ 10	+ 50	+ 3,665

Note that the Federal Reserve increased its holdings of eligible bonds and decreased the amount of ineligible bonds. All the other groups had less eligible and more ineligible bonds at the end of the period. The increase of nearly $2-billion of the *eligible* bonds by the Federal was entirely the result of the September-October Treasury refinancing, as Federal holdings of the 2 percent and 2½ percent bonds called on September 15 had risen over $2,500,000,000 by August 31, so that about $500-million of other issues had been sold or matured.

The decline in the Federal holdings of *ineligible* bonds came as the result of steady sales to the market for the entire period. Well over half of the sales went to the "all other" category, which includes pension and retirement funds, large corporations, and state and municipal accounts.

Lumping certificates and notes together eliminates to a degree the tremendous increase in the amount of notes and the decrease in the amount of certificates outstanding, as the Treasury substituted one for the other in successive refinancing operations. Here again, however, it was the Federal which took up the slack as all other groups decreased their holdings.

In the case of Treasury bills, it was the Federal which supplied the demand from all the other groups, chiefly an unusual increase in the amount held by "all others." Partially responsible was a shift on the part of large corporations from Treasury savings notes to Treasury bills, as the interest return on the latter increased from week to week. Further, the belief—general for the period—that higher short term rates were in prospect and lack of satisfaction with the terms of the new issues offered by the Treasury as certificates matured, naturally led those who had the responsibility for the investment of corporate—or state and municipal—surplus cash to find safety in the foolproof 3-month refuge of Treasury bills.

Combining the changes in the eligible with the ineligible bonds shows an increase in bond holdings for "all others" and a decrease for the balance of holders, including the Federal. This bears out the growing importance of pension and retirement funds as a factor in the steady absorbtion of the better yielding longer term Government securities.

On the whole, consideration of this record certainly emphasizes the tremendous part which the Open Market Committee plays in offsetting the conflicting actions of all other holders of Government securities; actions which otherwise might have resulted in sharp and disquieting market gyrations.

Commercial Bank Ownership of Eligible Bonds

The desirability of increasing the amount of *eligible* Government securities maturing or callable in 1955 and thereafter is quite evident from the following table, which gives the amount of each issue outstanding on August 31, 1950, and the commercial bank ownership of those issues on the same date.

(000,000 omitted)

Eligible Bonds			*Outstanding*	*Owned By Com'l Banks*	*Per Cent*
Callable in 1950-51-52-53-54....			*41,137*	*39,174*	*62*
*2⅞%	callable	3/15/55	2,611	1,729	66⅓
2½%	"	3/15/56	1,449	1,043	72
*2¾%	"	9/15/56	982	818	83⅓
2¼%	"	9/15/56	3,823	2,967	78
*2¾%	"	6/15/58	919	805	87½
*2¾%	"	12/15/60	1,485	1,242	83½
2½%	"	9/15/67	2,716	2,231	82
Total			13,985	10,835	77½
1½% notes		3/15/55	5,363	4,297	80
			19,348	15,132	78

* Partially tax free issues.

Commercial banks were the owners of over 78 percent of these eight issues, with the largest percentage of ownership in the three longest partially tax-free bonds. The total available will now be increased by the new note issue of about $8-billion 1¾ percent at the shortest end of the maturity range.

On the assumption that the total loan and mortgage portfolios of commercial banks are reaching peak figures, and may start to decline, it might be advisable to recognize the possibility that the supply of the better yielding Government issues is quite limited. The figures given point in that direction.

The Market for November

The price improvement which took place in the last 10 days of October, following the low point on about October 19, carried through until shortly after the middle of November, when the imminence of new Treasury refunding appeared to create a mood of uncertainty.

The partially tax-free eligible issues drifted lower as uncertainties regarding the nature of possible new tax legislation seemed to deter purchases.

No Treasury refinancing operations are now in prospect until June. With the increased tax rates now in effect—and perhaps to be increased—the first three months of 1951 should produce a substantial Treasury surplus. Regulations W and X should by then have their effect in restricting the total of loans and mortgages.

A return flow of currency in circulation is normal in January. Left to itself, the market for Government securities might display recuperative powers.

The Railroads

H. EUGENE DICKHUTH

The author is a financial writer on the New York Herald Tribune.

WAR or peace, the railroad industry is in an almost unique position. In case of wholesale bombings, roadbeds and stations are relatively easily repaired, if the European experience from the last war is any criterion. Moreover, based on the records of the last conflict, the carriers have made war preparations which are in the category of "restricted" information at this point.

So far as a semi-war economy with heavy taxation is concerned, the industry as a whole, with few exceptions, is rather immune, too. The increase in gross revenues, combined with the leverage of the heavy debt capitalization, will permit most of the roads to show a sizable improvement in net income in 1951, even if taxes should be increased substantially.

Conservatively estimated, the larger 1951 net earnings may run at 5 to 10 percent above 1950. The 131 Class I railroads of the country reported a 10 months' net income of about \$575-million to October 31, 1950, against \$302-million in the corresponding 1949 period. Class I roads are those having gross revenues of \$1-million or more annually.

More significantly than that, the net return on property investment of the large railways averaged only 3.99 percent in the 12 months ended October 31, compared with 2.93 percent in the preceding yearly period. In fact, in the last 30 years from 1920 to 1949, there was only one year when the carriers made more than 6 percent on this basis. The average return in this era was a mere 3.5 percent of invested capital.

On any excess profits tax formula, the railroads, with few exceptions, cannot be hurt very much, at least on the basis of levies proposed so far. So far as traffic conditions are concerned, there is little doubt that boom circumstances of transport are likely to prevail for some time to come, since the rearmament program cannot be reduced appreciably under any circumstances. Indeed, the problem may become one involving the capacity of the nation's railroad plant to carry the available amount of traffic rather than one concerning sufficiency of freight traffic.

Already, the National Production Authority has ordered 310,000 tons of steel to be set aside in each of three months during the first quarter of 1951 for the construction of all types of cars. There is an acute shortage of freight cars despite stupendous outlays by the various companies for new rolling stock and other equipment.

The outstanding factor in rail improvements since the end of the war with Japan has been the program of dieselization. It has introduced economies of operation which had been unheard of before Pearl Harbor and has enabled many roads to show much more favorable financial figures than would have been possible previously. Like automobiles, Diesel locomotives can run for several thousand miles with different crews before major check-ups are necessary. This was impossible with steam equipment.

However, Diesels are not the only method by which greater efficiency is being achieved by the carriers. Since the war, many miles of new heavy rails have been laid on main lines, permitting heavier loads and greater speeds of both passenger and freight trains. There have been great improvements in automatic routing and signalling devices and in office procedure as well.

WHILE passenger revenue and particularly commuter traffic, generally, is still unprofitable, freight business measured by carloadings rose 2.5 percent in the first nine months of 1950.

At the same time, operating expenses fell by 1.8 percent, which, in turn, improved the operating ratio substantially. Thus, net railway operating income rose 37.2 percent and net income gained 66.7 percent, compared with the 1949 showing.

Owing to this great improvement in earnings, perhaps, it will be difficult for the roads to make an equally good showing in 1951.

Since the outbreak of the war in Korea on June 25, rail shares have been features in the stock market because of their excellent position, earningswise and taxwise. This, however, has not made them overpriced in relation to other securities. The fact remains that the industry is now in a much better position than it has been for many years past and is of pivotal importance in both war and peace.

The Investment Markets

NEARLY all segments of the underwriting markets have been acting well in recent weeks. With the exceptions of a few high-priced issues on which competing houses overbid, nearly all offerings have moved satisfactorily from dealers' shelves into normal investment channels of both institutions and individuals.

Life insurance quarters have again brought up the question of a special Treasury bond issue restricted for them, bearing 3 per cent, with the suggestion that part of the Federal deficit could be financed by such securities.

Otherwise, markets for equities have been nervous according to the changing fortunes of war in the Far East. Stocks reacted violently on the downward side whenever the United Nations forces suffered reverses, while commodities rose, reflecting fear of shortages and controls.

With all the uncertainties of war and taxes, financial quarters are well satisfied with the performance of the underwriting markets, since they cannot help but be influenced by the behavior of all other segments of the investment markets.

MARY LEACH

Members of a typical forum audience stay after the session to question a speaker

Inflation Touches the Pocketbook Nerve

The popularity of finance forums, first conducted for women and now extending to men, reflects without doubt the tremendous public interest in inflation. It prompted BANKING *to ask banks holding these meetings for expressions of opinion on the results, and here are some of the replies from banks in eastern cities which were, of course, the first to be heard from. A further report on this epochal development in public education will appear next month.*

FIRST returns from BANKING'S survey indicate beyond doubt that finance forums are important opportunities for public education, public service, and new business.

Banks sponsoring these meetings report large, eager audiences which listen attentively to talks by experts on such subjects as investments (perhaps the most popular), budgeting, life insurance, wills, estates and trusts, and then ask so many questions that the time is up long before all can be answered.

Without further preliminaries, let's sample the experience of sponsoring banks. It indicates a belief that the project is decidedly worth while, that it has possibilities for a return on the investment, that it is sharply emphasizing to families the need for careful, guided financial planning.

Attendance — 4,000

The Union & New Haven Trust Company of New Haven, Connecticut, whose four forums for women drew a total audience of 4,000, took a long range view of its series. It sought, says Assistant Secretary Henry P. Brightwell, "a general enhancement of our standing in the community and further to establish ourselves as the place where the public can bring financial problems of all types."

"Naturally," continues Mr. Brightwell, "we expect over a long period of time to obtain some new business from our efforts, but more by general reputation than through any selling through the forum. Actually, our name was mentioned quite rarely during the forum. The favorable comments we received through telephone calls, remarks to our officers and employees, and letters to our president, make it quite apparent that our efforts were generally appreciated. I would say that our management is more than gratified with the reactions we have received. I am convinced that we have done few things which have been as worth while."

So many questions were asked at this forum that many answers had to be delayed. Some of the replies were made by the bank or the speak-

ers by letter to the inquirer; in other cases the bank requested the women to come in for a talk with an officer.

Union & New Haven's series was conducted in cooperation with the New Haven public school system which listed it on the program of the adult education department.

Small Discussion Groups Suggested

"Very popular" is the way Crandall Melvin, president of The Merchants National Bank & Trust Company of Syracuse, New York, characterizes his bank's forum.

"As a result of the forum," he says, "many women have indicated a desire to have small discussion groups on additional financial subjects which we will organize early in 1951.

"In giving this series our fundamental idea was to present information which would be helpful for the women of this community. However, in raising questions and helping to interest women in learning more about their own situations we have already obtained some new business for our trust department and have developed a large list of potential customers for this department. At the meetings we had various officers introduce the speakers so that the women could become acquainted with more members of our staff."

"We have received a number of letters, and also know that at women's clubs and at other times there has been a lot of discussion of the program. We feel that the project was very worth while and very effective from the goodwill it developed.

"Insurance and investment men also commented on the help this program gave them."

Awakening the Public

Morristown (New Jersey) Trust Company reports that it has obtained some business traceable directly to its forum. President George Munsick says the program was offered as a public service in connection with the bank's public relations program.

"I am convinced," writes Mr. Munsick, "that the idea is accomplishing most effectively the awakening of the public to the need for a planned program, whether for investments, estate purposes, or a will. What is equally important, it emphasizes the need for help and guidance, in those plans, of people trained and experienced in this specialized field. For years banks have spent large sums through advertising, with the same objective in view, and with a much lesser degree of success."

Questions, Questions!

Here are a few of the questions asked at one of the women's finance forums:

"How would you invest $2,000?" "When a girl marries, should she reduce the amount of her life insurance?" "Is it advisable for man and wife to have stocks or bonds recorded in joint names?" "If a bank and a member of the family are named jointly as executors of a will, what is the actual status of members of the family?" "Is a will made in one state good in another state?" "Is the disposal of real estate more complicated when there is no will?"

Estates Talk Most Popular

The forum held by the Worcester County Trust Company, Worcester, Massachusetts, was considered basically as a community project, reports President Edward L. Clifford. Particularly gratifying to this bank was the fact that the last talk, on wills, trusts and estates, had the largest attendance of the series of four.

"The subsequent inquiries and calls at our trust department," continued Mr. Clifford, "made us realize how much the women of our community and this county are interested in these subjects.

"We are definitely glad we sponsored this project, and because of its success we are considering the possibility of holding a similar one-session forum next spring."

"Decidedly Worth While"

The Rhode Island Hospital National Bank of Providence, offered the program "solely as a public service, with a definitely educational value to the women of Providence and vicinity," asserts Vice-President Charles B. McGowan.

"We are content to know that those in attendance are aware of the sponsorship, and we hope thereby to build up a reservoir of goodwill in the community. We are more concerned with this than with the immediate results in the form of new business.

"It was decidedlly worth while for us."

Making Dollars Work Harder

INEZ WHITELEY FOSTER

The author, a writer for magazines and newspapers on subjects of interest to women, this month goes into some of the actual questions and answers produced at the finance forum at New York's Town Hall.

AMONG the many hundreds of persons now attending a course of money management lectures given in New York City's Town Hall, probably only about one in every 50 is a "New Yorker, born and bred." Nearly everyone, men and women alike, seems to have arrived here from some place else, his roots and upbringing elsewhere. Yet whether they live in cities large or small, people's financial interests remain much the same, though their basic daily needs differ in terms of dollars and cents.

Directed by Mrs. Wilma Soss, president, Federation of Women Shareholders in American Business, the course is titled: "You and Your Dollars—in a War or Peace Economy —Modernizing Your Investment Program." One of New York's leading newspapermen can be seen at nearly every session, jotting down notes which are decidedly not for his paper. Other men have come back time and again for answers pertaining to their own private investment needs.

Just as they hail from all kinds of cities and towns, the women audiences attending these financial forums come from all conditions of

life. Some there are who never before were interested in economics as such, but now call up in advance to ask: "Will I be sure to understand it all?"

The same day in which one member of the Federation of Women Shareholders brought along her entire canasta club (all of them taking copious notes to relay around their respective dinner tables) a letter came in the mail with a $10 bill wrapped in newspaper and bearing a Polish signature. The letter, in effect, asked for the "honor of enrolling," adding: "For 20 years I have worked. I know that soon I can no longer work. I do not know how to make my money work for me. I thought you might let me enroll."

A large number of these women seem to be widows who have seen shrinkage in their estates. They fall into two classes—women who handle their own funds, and those who feel they are too dependent on trustees and lawyers.

Because of the rapidly growing importance and nationwide interest in banks and trust companies' financial forums, many of America's largest companies enrolled both officers and others both men and women, in the present Town Hall series. Included among them are: The secretary of A.T. & T.; the secretary of U.S. Rubber; the assistant treasurer of American Tobacco; the assistant treasurer of RCA; an officer of Allied Chemical; several officers and members of the Texas Company; personnel of Metro Goldwyn Mayer and the John Manville Company; . . . the assistant secretary of Standard Oil of New Jersey; and the treasurer of Sheffield Farms (National Dairy Products.) Both the latter are women.

Men, it must be admitted, generally ask the most thought-provoking, long-range, weighty questions. Women seem more inclined to ask questions which concern their present needs and holdings or for advice with regard to their best choices for a *secure* financial future.

At one recent lecture, titled "In Which Industry Shall I Invest?", the many audience questions ranged so nearly alike from both sexes, and the replies held so many listeners (particularly men) spellbound with concentration, that herewith we print several of the most frequently asked questions, together with their answers:

Q. Just why is a dollar invested in an E Bond worth less than a dollar invested in some stock or other investment.

A. A dollar invested in an E Bond is not worth less than a dollar invested in any other way. In my prior talk I made it clear that the purchase of Series E Bonds is not only defensible but the patriotic duty of everyone under certain conditions. I mentioned that I chose Series E Bonds to illustrate the example I cited, only because I regarded Series E Bonds as one of the best bond "buys" in the market.

What I did say additionally was that, while the purchaser of a $1,000 face value Series E Bond for $750 in 1940 will receive $1,000 in cash this year, the recipient of the $1,000 in 1950 can buy only about as much as could have been purchased for $600 in 1940 when the hypothetical Series E Bond was bought—because, according to the official Department of Commerce statistics, the purchasing power of the dollar has declined over 40 percent — at the consumer level—from its average purchasing power in 1940. Consequently, the 1940 buyer of Series E Bonds actually has had no return on his money in terms of buying power, but, as a matter of fact, has lost 20 percent of the purchasing power of his 1940 investment—since the $1,000 of 1950 will buy only 80 percent of what could have been purchased for $750 in 1940.

To the extent that this investment loss represents a contribution by the owners of Government bonds to the preservation of the country, this inflation tax upon bondholders may perhaps be justified. But during these last 10 years money deposited in savings accounts and invested in bonds unquestionably has been made unprofitable by an almost continuous rise in prices.

Q. Why is it that one is told to stay away from utility stocks in case of further inflation?

A. Further inflation would give impetus to rising price levels. Certain types of businesses — department stores, for example — can readily change their sales prices to the consumer to conform with rising costs that follow in the wake of inflationary operating costs. However, particularly in the case of public utility companies, rates are fixed by public bodies, and cost increases cannot be passed on too readily. Consequently, earning power of this particular group of stocks is at best apt to lag behind advancing costs during an inflationary spiral.

Q. What are convertible bonds?

A. A convertible bond is an ordinary bond, generally but not always a junior or semi-speculative issue, which has a special privilege attached to it, permitting the owner

A women's finance forum of the Worcester County Trust Comany, Worcester, Mass.

to convert or exchange his bond ordinarily into the common or capital stock of the issuing company at some fixed and stated rate of exchange. The American Telephone Company, for instance, has issued a great many convertible bonds. These have all been convertible into A.T.&T. stock generally at a price above the market price of the stock at the time the bonds were sold. In some cases later on in the history of the bonds, the price of A.T.&T. stock has advanced above the exchange price in the bond, and bondholders have exchanged their bonds for stock.

There's always a profit involved in doing this and the bondholder can either keep his stock or sell his stock and accept the profit. Convertible bonds are usually held out as something that have a degree of safety when the market is declining and yet participate when the market is advancing. This is a half-truth, because invariably they are not as safe as an ordinary bond that might have been issued by the same corporation at the same time. They are very excellent investments if properly selected and bought at the right time and price.

Q. Do you think this is the wise time to invest some idle money owing to the threat of inflation on one side and the high averages on the other?

A. It depends on whether one's income can rise in line with cost of living increases. Further, it is largely up to the individual as to which inflationary pressures would be the least damaging. The inflationary period portends that a holder of idle cash would suffer. For example, 10 years ago a person who had bought some of the "letter" bonds of the United States Government, which represent a cash holding, would have suffered because of the decline in purchasing power of the dollar.

At present, money seems to be our cheapest commodity, as reflected in interest rates. A decision to invest idle funds, of course, may prove costly if these averages prove in fact to be high. However, at this stage of our economy I should think at least some part of idle money should be used to buy natural resource securities that could be held, more or less, through both booms and depressions.

Why Forums "For Ladies Only"?

EARL S. MacNEILL

The author, a regular contributor to BANKING *on matters of estate planning, sketches a theoretical finance forum on this subject. It is his thesis that both husband and wife should attend together when matters affecting their estates are to be discussed. Mr. MacNeill is vice-president of Irving Trust Company, New York.*

THE year just ended saw "financial forums" come to full bloom. Their incidence was little short of epidemic. While "schools for trust customers" and "trust forums" had been authentic forerunners, it was not until enterprising stock brokerage organizations set up well-publicized classes for the education of women in matters financial that banks revived the idea of educational forums for their customers, present and prospective. Many of these forums were general in their coverage. They included estate planning as part of a patterned whole. Most of them were restricted in attendance to women.

Out of limited experience in this activity I am emboldened to ask some questions and offer some comment—emboldened because no one has had more than a limited experience as yet.

Were the invitations aimed too directly at women? At investments for women? The ladies may well be happier exposing their "ignorance" of stocks and bonds away from the ears of men; but estate planning is a family matter. I have frequently thought that the better results were obtained, in terms of provocative discussion within the family group, where both husband and wife simultaneously heard the same things said. For example:

I have taken part in some mixed forums in New Jersey, where an obligingly fearsome law provides that upon death of a spouse, there being no children, *all* of the decedent's estate passes to the surviving spouse. As this is explained, the implications become enormous: a childless husband and wife die in a common disaster, perhaps; the wife survives by a few minutes. *Everything* goes to the wife's relatives, because there is no will. You can feel the electricity in the place. You can almost hear the tongue-wagging on the way home. But if the wife attended all by herself, would she disclose the tidbit—unless it chanced that *she* had the money? And even so, there might be embarrassment in bringing it up. But where the pair attended together, the Great Fact was laid figuratively on their doorstep. Similarly as to other facts—and many of them equally startling—that can be developed in discussion of what can happen when there is no will, or when a will is not properly planned.

Another question: May not the forums be on too large a scale? I refer both to length—the series that may last a number of weeks—and to attendance—particularly the latter. It would be wrong, I think, to measure the success of a forum in terms of the number present. I would prefer to test it by count of the questions that came from the floor. But numbers tend to stifle questions; the exhibitionists will be heard, but not the timid ones. Too small an audience, of course, can pitch the discussion at too personal a level; but there must be a happy medium. Perhaps it is somewhere between 50 and 100.

At the Irving we have done something like this with specialized groups. The word "clinic" would be aptly descriptive of them, but its connotations are rather unpleasantly medical; so we settled for "round-table." How would it do to have a Round Table on Family Financial Planning? Very selective. Let the invitation be as broad as your "better prospect" list; the first to respond will be first served. (There can be repeat performances if the first is a success.) Husbands and wives are invited; if they prefer to come solo, you will accept them, of course. You will seek firm acceptances from 70 to 80; but will be happy if a dozen or so don't appear. The room you choose will be in the bank, if possible; otherwise a club, perhaps. It will be crowded if *all*

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BANK LAW NEWS

Fictitious Payee—Savings and Loan Associations

FICTITIOUS PAYEE

Illustrating how an actual payee can be a fictitious payee.

The president of plaintiff corporation was its sole authorized agent to sign checks.

Plaintiff alleged that she, its president, drew some $4,000 worth of checks on its account in defendant bank, payable to various existing persons; that she never intended to deliver the checks to the payees and never did deliver them; that she endorsed the checks in payees' names, and then either cashed or caused them to be cashed, retaining the proceeds for her own use.

Plaintiff also claimed that the checks were not cashed by its president in person, but by a third party who presented them to a relative of hers, who was not "an officer, cashier or teller . . . but merely employed in the bookeeping department of said bank."

All of this, said plaintiff, was highly improper, and it thereupon sued the bank for the amount of the checks. However, the U. S. Court of Appeals for the Fourth Circuit rejected its claim.

It was not the fact that the funds were withdrawn by plaintiff's president that caused plaintiff's loss, the court reasoned; any loss was caused by misappropriation of the funds thereafter. And, the court added, the mere fact that plaintiff's president dealt with an unauthorized employee of the bank did not change that result.

The bank, said the court, was not an insurer of the faithfulness of plaintiff's authorized agent. An individual could not recover amounts paid out by his bank on checks which he himself had both drawn and endorsed, said the court, and a corporation doing exactly the same thing, acting as only it can act, through an authorized agent, stands in no better position.

The court then pointed out another reason why plaintiff could not recover. Section 9 (3) of the Uniform Negotiable Instruments Law provides that an instrument is payable to bearer when it is payable to the order of a fictitious or nonexisting person, and such fact was known to the person making it so payable.

Even though an existing person is named as payee in a check, said the court, the payee is nevertheless considered fictitious if the drawer or his agent does not intend that he shall receive the check or have any interest in it.

Accordingly, the court held, the checks in this case were payable to fictitious payees, and thus payable to bearer, without the necessity of endorsement.

The court observed that the result would have been different if a subordinate employee had prepared the checks, an official of plaintiff had signed them in good faith, and the subordinate had thereafter abstracted them, forged the endorsements, and cashed them. Ellis Weaving Mills v. Citizens & Southern Nat. Bank, 184 F. 2d 43. cf.: *Paton's Digest*, Forged Paper §6:5.

SAVINGS AND LOAN ASSOCIATIONS

Court holds bank may not attack validity of association's branch.

The United States District Court for New Jersey has held that the validity of the existence of a branch office of a Federal savings and loan association, functioning with the approval of the Home Loan Bank Board, cannot be attacked by a bank with which the branch competes.

Plaintiff national bank had complained that the Home Loan Bank Board unlawfully issued to defendant loan association an authority to open a branch within a few doors of plaintiff's banking house, and that the existence and operation of the branch constituted unlawful competition.

The court held that defendant's branch was, in effect, "an integral part" of its home office. Thus, said the court, any attack on the validity of its existence is, in effect, "also an attack upon the charter of the loan association as thus extended. This being so, no competitor can attack it as beyond the scope of Federal authority. Such action is reserved to the Government . . . or perhaps an attack may be made by a party having an interest in the loan association . . ."

The court did not specifically decide whether the Home Loan Bank Board had authority in the first instance to permit the establishment of the branch.

The decision is being appealed. North Arlington Nat. Bank v. Kearny Federal Savings & Loan Ass'n., 92 F. Supp. 481.

CHECK KITING

Bank officer commits crime in allowing kiters to cash checks.

An employee of an FDIC-insured bank who permits checks to be cashed, in large quantities and in large denominations, knowing that they are not good and are being cashed to obtain money improperly from his bank, is guilty of a "wilful misapplication of bank funds with an intent to injure or defraud the bank."

This was the holding of the United States District Court for the Eastern District of Pennsylvania in the case of the middleman in the check-kiting operations of one Opp and

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one Backer, involving checks totaling about $1,400,000.

Backer had a checking account in a bank in Easton. Opp had an account in a bank in Bethlehem. The kiting was practiced as follows:

Almost daily during the check kiting period, Opp gave Backer checks in large denominations, payable to Backer and drawn on Opp's account in the Bethlehem bank. Backer would either cash the checks at the Easton bank or deposit them in his account therein. In almost every case the funds in Opp's account were insufficient to pay these checks.

However, it took three or four days for the checks to clear back to Bethlehem, and this interval gave Backer and Opp time to raise money to make them good.

THIS money was raised by cashing more checks at the Easton bank, similarly drawn on Opp's account in Bethlehem and payable to Backer. And these checks in turn were covered by cashing still more of Opp's checks in the same way. Bethlehem being but 12 miles from Easton, it took but a few minutes to bring cash from Easton to cover the checks before they arrived in Bethlehem.

Defendant, as executive vice-president of the Easton bank, had authority to, and did determine what checks it should cash. He did not cash any of Opp's checks himself, but did permit them to be cashed by bank employees, even though he had been informed that check kiting was going on. He also knew when the checks were cashed that there were insufficient funds in Opp's account in Bethlehem to pay them.

There was no evidence that he benefited from the kiting, nor that he was promised any benefit.

"Undoubtedly," said the court, "it is a common practice for banks to cash checks for well known and well regarded customers, even though the checks are drawn on other banks and the cashing bank does not know whether or not there are sufficient funds to pay the checks when they clear. There is nothing criminal about this."

But, said the court, in this case defendant was guilty of misapplication because he permitted "such an

obvious improper misuse of bank funds." United States v. Matsinger, 92 F. Supp. 516. cf.: Paton's Digest, Bank Personnel §11B:1.

IMPOSTER RULE

Bank not liable on guarantee of impersonator's signature.:

One Wayne M. Elkins, while in the service of his country, applied for an allotment for his two minor children and his wife, "Daisy Marie Elkins."

Thereupon and thereafter, government checks totaling $1,320 were delivered to Daisy who endorsed and cashed them at defendant bank and from time to time sent money for the children's care to their grandmother, with whom they were living.

The bank then endorsed the checks, guaranteed prior endorsements and, after presenting them through regular channels, received payment from the Government.

It developed, however, that although Wayne and Daisy lived together as man and wife, he had a perfectly legal wife elsewhere, and "Daisy" was not Daisy Marie Elkins, at all, but someone else's unremarried widow.

This being known, the Government sought to recover from the bank the amount of the checks, but received no comfort from the Federal Court for the Western District of North Carolina.

The question, said the court, was whether Daisy's endorsements were forgeries or "mere steps in a fraud." It decided that under the well known imposter rule, they were not forgeries.

The checks were intended for and delivered to Daisy as Daisy Marie Elkins and she so endorsed them. Though the checks were voidable for fraud, she was the actual payee, said the court.

In guaranteeing prior endorsements, the bank merely guaranteed that the person to whom the check was issued had endorsed it, that her signature was genuine and that as such it was "entitled to receive honor and credit in the negotiable instrument world," said the court.

The bank did not guarantee that the check was honestly procured from the drawer, the court held, and though a fraud was being committed, the bank did not have the burden of detecting it. U.S. v. First Nat. Bank & Trust Co., 92 F. Supp. 356. cf.: *Paton's Digest*, Forged Paper §4.

Other Organizations

THE extent of banks' interest in public relations is shown in the answers to a questionnaire sent to state associations by the Public Relations Council of the American Bankers Association. This is the first study of this subject that the A.B.A. has made among state organizations. There was a 100 percent response.

To the first question, "Does your association have a public relations committee?", 41 state associations answered affirmatively. Ten states have three to six members on such committees, while four states have 16 or more members.

Education committees were reported active in 33 states.

Eight of the state associations have a public relations man on their headquarters staffs and four have field representatives.

Group and local meetings on public relations are reported in 27 states, and public relations clinics or conferences in 26, while PR bulletins are published by 22 state groups. Thirteen have issued manuals or studies.

Of the programs sponsored in furtherance of public relations, those pertaining to farm youth are the most popular, 37 states reporting such projects. School films are a close second, with 35 associations using them. Other projects are: school visits and tours, 21 states; speakers' bureaus, 14 states; Know Your Bank Week observances, 11 states; posteramas, nine states; statewide advertising campaigns, six states; advertising service for local use, five states; speaking or essay contests, four states.

* * *

The Florida Bankers Association will observe Know Your Bank Week from January 22 through 27. The FBA has produced posters, folders and advertising mats for the occasion. Spot announcements have been prepared for use on local radio stations, and detailed suggestions have been distributed to member banks for use in connection with open house or bank tour programs.

* * *

The Western Secretaries' Conference, meeting at Sun Valley, Idaho, in the latter part of November, elected the following officers: *president,* Howard E. Fletcher, secretary-treasurer, Arizona Bankers Association, and vice-president and cashier, Farmers and Stockmen's Bank, Phoenix; *vice-president,* S. Walter Guthrie, secretary, Idaho Bankers Association; *secretary-treasurer,* W. Robert Dubois, secretary, Wyoming Bankers Association, and vice-president and trust officer, Stock Growers National Bank, Cheyenne.

Fred C. Witte, elected president of the Robert Morris Associates at the organization's annual meeting in November, is a vice-president of the Chase National Bank, New York

In this group new officers of the Arizona Bankers Association, are, *left to right,* Secretary-treasurer H. E. Fletcher, vice-president and cashier, Farmers and Stockmen's Bank, Phoenix; President J. M. Sakrison, president, Southern Arizona Bank and Trust Company, Tucson; Vice-president Hugh C. Gruwell, president, First National Bank of Arizona, Phoenix; Chairman of Executive Council Carl A. Bimson, executive vice-president, Valley National Bank, Phoenix

* * *

The Southern Secretaries' Conference met in Charleston, South Carolina, early in December and elected: *president,* Floyd M. Call, executive secretary, Florida Bankers Association; *vice-president,* Leigh Watkins, Jr., secretary, Mississippi Bankers Association; *secretary,* Jeff Burnett, secretary, Arkansas Bankers Association.

* * *

The Mortgage Bankers Association of America, in cooperation with the graduate school of business administration of New York University, will sponsor an advanced con-

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ISLAND HOME of Michigan's Great Woman Pioneer

"YOU have killed my husband!" The anguished cry broke the stillness of the Pottawattomie village on Lake Michigan where Madeline and Joseph Laframboise were spending the night. Enraged at the fur trader's refusal to give him liquor, Nequat, a young brave, had stolen into their tent and slain the devout Joseph as he knelt in prayer.

The Pottawattomies who were outraged by the wanton murder of their trusted friend eventually captured Nequat and brought him to Madame Laframboise for judgment. Though she was the granddaughter of Returning Cloud, famous Ottawa chieftain, she followed the Christian faith of her French father and even when confronted by the slayer of her beloved husband, she heeded the Biblical admonition to forgive one's enemies. "Set him free," she told Nequat's captors. The Indians reluctantly obeyed but later Nequat was found in the forest with a knife through his heart.

Madeline had traveled with her fur trader husband ever since she married him in 1796 at the age of seventeen. Through the wilds of early Michigan and over the waters of Lake Huron to the great fur depot on Mackinac Island, for many years the couple carried on their business together. Because of Joseph's acumen and his wife's tact and understanding of the Indians they were outstandingly successful. After her husband's death, despite her overwhelming grief Madeline continued the work alone. A woman of great charm and enterprise, she became one of the Northwest's greatest fur traders.

As the years went by, Madeline's daughter Josette returned from school in Montreal and like her mother captivated all by her loveliness. In 1817 Josette was married to the commandant of Fort Mackinac, Captain Benjamin Pierce, brother of Franklin Pierce who became President. At the wedding, Madame Laframboise, wearing Indian attire, was a striking figure.

The young couple made their home on Mackinac Island and here Captain Pierce built a house for his mother-in-law. Josette's untimely death after four years of married life, followed by that of her little son, impelled Madame Laframboise to give up her work as a fur trader. Settling down in her home on Mackinac, she spent her time helping the less fortunate and, in particular, befriending the Indians, who called her "Little Mother." She had always spoken French like a Parisian and in middle age she taught herself to read and write the language fluently.

Beneath the altar of St. Anne's Church, which stands on the property she bequeathed, Madeline Laframboise and Josette are buried. Her island home is now privately owned. Surrounded by ancient lilac trees planted by missionaries who brought the seedlings from France, it is carefully preserved as a survival of Michigan's early days.

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ference for senior executives of mortgage lending and investing institutions in New York, January 30, 31, and February 1. The theme of the conference will be: "Mortgage Lending in a Military Economy." During the three day meeting, questions to be explored will be the prospective volume of building in the years ahead, the effect of present Government restrictions, long-term outlook for construction costs, supply of manpower and materials and the possible supply of and demand for investments.

* * *

The Kentucky Bankers Association sponsored six clinics on Regulation X in as many cities in the latter part of November and early December.

The meetings featured a panel, of which the moderator was Wilbur Fulton, vice-president, Cincinnati Branch, Federal Reserve Bank of Cleveland.

* * *

The 39th annual convention of the **Investment Bankers Association of America** was held at Hollywood, Florida, November 26 through December 1. Eight hundred investment banking firms were represented by 1,200 delegates.

The organization elected Laurence M. Marks to its presidency. Mr. Marks is head of Laurence M. Marks & Company, New York. He succeeds Albert T. Armitage of Coffin & Burr, Inc., Boston.

WILLIAM P. BOGIE

Richard Rapport, Commissioner, Connecticut Banking Department, has resigned, effective January 15, and will become executive manager, Connecticut Bankers Association

Moving $5-Billion

NEW York has added a new record to its extensive collection. "The most valuable business shipment in the country's history" was Chemical Bank & Trust Company's recent transfer of $5-billion in securities from its main office at 165 Broadway to the 30 Broad Street branch, near the Stock Exchange.

Figuring in the big move were nearly 500 steel-bound cartons containing 3,500 issues of stock and 7,000 issues of bonds. The precious cargo, which ranged from a $25 U. S. Savings Bond to a $50-million share certificate representing working control of a major corporation, was handled by the bank's vault custodians and guarded on its short run through the financial district by 200 New York City policemen and the Chemical's protective force. Five heavy-duty armored trucks made 40 trips in completing the move.

The securities represented the bank's investments and the holdings of its custodian, customers' securities, personal trust and bond departments which, together with the tabulating and investment analysis sections, have been transferred to the Broad Street branch.

"This move," said N. Baxter Jackson, chairman of the Chemical's board, "will bring to the heart of the financial district those departments which have most to do with the securities business."

Long Preparation

Five months of planning had been completed when, early that Sunday morning, police sealed to traffic the entrance blocks of both buildings and surrounded each with patrolmen and bank guards. Everyone in the area without an identifying badge was carefully scrutinized; elevators and other critical points inside the structures were closely watched.

Then the armored cars began their work. Leaving singly at intervals of 15 minutes, each truck made the trip over a predetermined route patrolled by police. Motorcycle and squad cars escorted the big vehicles, manned by a driver and two guards, with two of the bank's vault custodians as passengers.

The actual move took about four hours, but many more were spent in packing and unpacking securities.

BANKING NEWS

Bulwark of Savings Deposits Is Goal of the A.B.A.

Inflation Curb Is One of the Aims of Savings-Mortgage Development Committee

A campaign to make American bankers aware of their opportunity to build a permanent bulwark of savings deposits into the banking structure has been announced by Daniel W. Hogan, Jr., chairman of the Committee on Savings and Mortgage Development of the American Bankers Association.

Through this campaign the A.B.A. will strive to:

(1) Curb inflation by syphoning off spendable funds; (2) build deposits to meet the increasing demand for legitimate noninflationary loans; (3) attract new depositors in order to carry further afield the message of free enterprise and chartered banking; and (4) channel thrift funds into banks.

The Committee will wage a vigorous campaign among A.B.A. member banks. It will urge the use of every legitimate promotional and advertising medium available to educate banks and the public on the importance of thrift to the American economy, particularly during this national emergency.

Special Purpose Thrift

According to the chairman, the Committee will study and report on developments of special-purpose savings plans and strive to develop improved advertising for savings accounts. It will also include public relations on the agendas for Savings and Mortgage Division conferences and encourage the savings-minded to spread the gospel.

In his letter to the secretaries of state bankers associations, Mr. Hogan told them that the one thing they can do that will help more than anything else is to include a pep talk on every one of their convention programs on "How a Savings Department Can Build Your Bank."

Mr. Hogan is vice-president of the City National Bank & Trust Company, Oklahoma City. The Committee on Savings and Mortgage Development is a subcommittee of the Savings and Mortgage Division.

Model Bank Code Study Heralds 44 Legislative Sessions

Dual Bank System Hinges on Merger Law

Copies of the Model State Banking Code have been sent to members of the State Legislation Committee and Council of the American Bankers Association for study in advance of the convening in 1951 of 44 state legislatures.

The Model Code, subject to still further revision, represents four years of study and consultation by the Model State Banking Code Committee with other interested groups, including representatives of the National Association of Supervisors of State Banks. It covers every important topic which should properly be included in a model banking code and is intended as a guide to states seeking to revise their banking laws in whole or in part.

In his letter accompanying the code, Sherman Hazeltine, chairman of the Committee and Council, called attention to a number of legislative subjects of timely interest, including 11 banking acts recommended by the A.B.A.

"Legislation on control of reserves and on bank mergers is of utmost importance in the preservation of the dual system of banking," said Mr. Hazeltine.

While the 81st Congress went half way in resolving the bank merger tangle with the enactment of Public Law 706, which law provides for the conversion, consolidation, or merger of a national bank to a state bank without requiring dissolution of the national bank and reincorporation under the state law, it is now up to the states to pass implementing legislation.

To accomplish this purpose, state banking or corporation laws should generally provide for the consolidation and merger of corporations organized under the laws of the states and of the United States. The National Bank Merger Act is not applicable in those states which require the consent of the supervisory authorities before a state bank can convert to or merge with a national bank.

Relief Act Analysis Gains in Importance as the Services Grow

With the military forces expanding so rapidly, the provisions of the Soldiers' and Sailors' Civil Relief Act which apply to credit contracts have become of prime importance to the banks.

In recognition of this, the Committee on Consumer Credit of the American Bankers Association, in cooperation with the Association's Legal Department, has completed a revision of its "Analysis of the Soldiers' and Sailors' Civil Relief Act" which has been mailed to all A.B.A. member banks.

A foreword to the booklet notes that "the Relief Act has a direct bearing on bank policy and procedure in making loans to persons eligible for military service and their dependents, and in buying paper on which they are liable. It may affect a bank's right to obtain repayment of existing or future obligations."

The publication is designed as a handbook for bank officers who desire quick information. It makes no claim to covering all cases; it does not deal in detailed legal technicalities. It does, however, include discussion of all of the provisions of the act in which banks may have an interest.

Long-Range Planning In a Time of Crisis Theme of Trust Meet

Program Being Readied for A.B.A. Conference

Reflecting the seriousness of the Korean war and international developments as they affect long range planning in the administration of trusts, the 32nd Midwinter Trust Conference of the Trust Division of the American Bankers Association will be a three-day working meeting for the nation's leading trust men.

The Conference is to be held at The Waldorf-Astoria, New York City, February 5-7, 1951, and the program is divided into five sessions covering Monday and Tuesday morning and afternoon, and Wednesday morning. The Conference will close with a luncheon in the Grand Ballroom at which delegates will be guests of the New York Clearing House. Arnold Wolfers, Sterling Professor of International Relations, Yale University, New Haven, Connecticut, will be the luncheon speaker on the subject, "Force And Diplomacy In Our Struggle With Russia."

The sessions for the three days will make up a well-rounded review of current trust problems with addresses by leaders in all phases of administrative work.

The tentative program for the Conference follows:

First Session—Monday, Feb. 5—10 A.M.

Presiding: Merle E. Selecman, secretary, American Bankers Association; and deputy manager in charge, Trust Division.

Address: Raymond H. Trott, president, Trust Division, A.B.A.; and president, Rhode Island Hospital Trust Co., Providence, R. I.

Address: James E. Shelton, president, American

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Regulation X Curbs Subject to Revision If Too Few Starts

Top Men Explain Curbs at Mortgage Conference

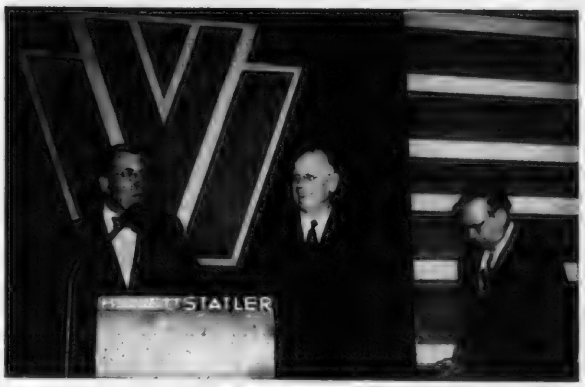
If the curbs on credit for housing construction as promulgated in Regulation X should prove too severe to allow for 850,000 housing starts in a year, then they will be adjusted. So spoke Raymond M. Foley, Housing and Home Finance Agency Administrator, at the Mortgage Credit Control Conference of the A.B.A. Savings and Mortgage Division in New York on November 17.

Mr. Foley gave an over-all statement of policy followed by the Government in setting up real estate credit regulations and acknowledged that no one could tell exactly how drastic such curbs should be because there had been "no firm past experience." He assured his hearers that the agencies involved want "to meet in full the responsibilities entailed in the most intelligent and effective manner," and that in all his years in governmental affairs he had not seen "such a splendid, successful example of cooperation among agencies."

Sharp Reduction

The figure of 850,000 housing starts, the Administrator said, represents a "sharp reduction, possibly a third from probable starts of this year. Nevertheless it is still big business in the housing field and would have been so regarded only two or three years ago, even as a goal to be achieved."

Mr. Foley then took his place as a member of the panel of mortgage credit controls. The moderator was W. A. Clark, special consultant on real estate credit, Federal Reserve Board. Other participants in the panel discussions were: Charles T. Fisher, Jr., on leave as president, National Bank of Detroit, to serve as Federal Reserve Real Estate Credit Administrator; George B. Vest, general counsel, Federal Reserve Board; Franklin D. Richards, Federal Housing Administration Commissioner; and T. B. King, director, loan guaranty service, Veterans Administration.



LEACH

At the conclusion of the A.B.A.'s Conference on Regulation X in New York, William A. Reckman, president of the Savings and Mortgage Division, *left*, thanks speakers and savings and mortgage bankers for their part in making the meeting a success. Moderator Clark, *center*, and Housing Administrator Foley, *right*

The panel answered many questions from the floor and many others that had been sent to the Savings and Mortgage Division prior to the meeting. A typical question dealt with why loans on life insurance policies are exempt from Regulation X while those on savings account passbooks are not. It was explained that "any loan against any asset naturally has an inflationary effect. Life insurance policies were exempted for one reason, and that was that a man had an asset there which, if he were forced to liquidate or dispose of, he could never actuarially regain that same position, and we felt that was pretty rough treatment. On the other hand, a man who had a deposit was in a perfectly regular position to withdraw it and use it. He could reinstate that deposit any time he chose. You might say the same thing about any other type of asset. And so it was determined in writing the Regulation that loans (for construction purposes) against everything except life insurance would be prohibited, and under the Regulation life insurance could be exempt for the reason that we felt that the owner was being greatly prejudiced by being forced to liquidate his equity."

The entire proceedings have been printed in bound form and are purchasable through the A.B.A. Savings and Mortgage Division. Other topics of discussion at the conference and included in the proceedings were: Transfer of a conventional mortgage loan commitment to

(CONTINUED ON PAGE 88)

Bank Solvency and Stability Praised By FDIC Chairman

The banking system has experienced a remarkable period of stability since the establishment of the Federal Deposit Insurance Corporation in 1934, said Maple T. Harl, FDIC chairman, in the Corporation's recent report to insured banks.

Unlike so many other Government agency reports to the taxpayers, Mr. Harl's report is effectively illustrated with pen drawings and charts that show (1) capital ratio of all commercial banks from 1870 to end of 1949; (2) comparison of total assets to total capital accounts; (3) comparison of bank failures between 1867 and 1949 with other business failures; and (4) comparison of bank failures between 1934 and 1949 with other business failures.

"The Corporation extended financial aid to protect the depositors of only one insured bank during the first six months of 1950," said Mr. Harl. "All of the accounts in this bank, whose deposits aggregated more than $1-million, were transferred to another insured bank.

"The Federal Deposit Insurance Corporation is now in its seventh year without a loss to any depositor or the receivership of an insured bank. This constitutes an all-time record in the Nation's history from the standpoint of bank solvency, stability, and depositor safety."

Four Debate Teams To Get Expenses to National Conventions

Interchapter Debate Subjects Are Announced

A new plan under which four debating teams instead of two, as heretofore, will have their expenses paid to the American Institute of Banking's National Convention was announced recently by J. Kaye Ewart, national president, as the Institute opened its national debate program for 1950-51. Mr. Ewart is vice-president of the National Bank of Washington, Tacoma.

For purposes of the debate program, the country is divided into four districts. The interchapter qualifying debates will decide the chapters to represent each district in the semifinal debates, which will be held on the Sunday preceding the Convention. Winners of the semifinal contests will debate on Tuesday of the convention week for the Jesse H. Jones National Convention Debate Fund prizes of $300 for the winning team and $200 for the losers.

The five approved subjects which will be used for the interchapter debates are:

(1) Resolved, That deficit financing by the Federal Government should be prohibited except in case of war.

(2) Resolved, That the Marshall Plan should be discontinued immediately.

(3) Resolved, That Government agencies should be prohibited from engaging in activities in direct competition with private business.

(4) Resolved, That the noncommunist nations should form a new international organization.

(5) Resolved, That the policy of subsidy by the Federal Government is undesirable.

The Jesse H. Jones National Convention Debate Fund was established in 1948 by Jesse H. Jones, chairman of the board of the National Bank of Commerce, Houston, Texas, to encourage debating as a part of the A.I.B.'s educational program.

The entire A.I.B. debate program is under the supervision of the National Debate Committee, of which B. R. Resch of The Anglo California National Bank, San Francisco, is chairman.

Public Relations Pattern Evolves at Workshop Sessions

Speakers Emphasize Local Responsibility

Bank tours for high school students (BANKING, page 12), *Know Your Bank Week* promotion for the public at large, and finance forums (BANKING, pages 74 through 77) promise to be the conspicuous public relations activities of the banking business in the years immediately ahead, if the sentiments heard at the Public Relations Workshops in Kansas City and Phoenix last month can be taken as an indication of the value placed upon the various activities presented.

Cooperating in the Kansas City Workshop on Dec. 8-9 were the Arkansas, Iowa, Kansas, Missouri, Nebraska, and Oklahoma bankers associations.

At the Phoenix Workshop on Dec. 12-13, the Arizona, California, Colorado, Nevada, New Mexico, and Utah bankers associations cooperated.

The two-day Kansas City Workshop began with a panel presented by the secretaries of the Arkansas, Kansas, Missouri, and Nebraska associations — each of whom told about his public relations programs. Then the A.B.A.'s services were presented by G. Edwin Heming, associate manager, Association's Advertising Department.

A similar panel was held at the Phoenix meeting, with the Utah, Arizona, California, and Colorado secretaries participating. William T. Wilson, secretary, A.B.A. State Association Section, moderated both panels.

Speakers appearing on both Workshop programs included: Robert Lindquist, chairman, A.B.A. Public Relations Council, Chicago, "Why Are We Here?" and at conclusion of Workshops, "Where Do We Go From Here?"; Ralph Fontaine, president, A.B.A. State Association Section, Louisville, "Our Opportunities and Obligations"; Ott Coelln, Jr., *Business Screen Magazine*, Chicago, "Use of Films by Banks"; and John B. Mack, Jr., director, A.B.A. Public Relations Council, "Place of A.B.A. in Picture."

Throughout the Workshop discussions ran the thread of local responsibility. Everyone seemed to emphasize the conviction that public relations to be effective must be carried out at the local level by local institutions. The objective of the Workshop, therefore, was to acquaint the several associations and their members with the programs available to them.

Regulation X Curbs

(CONTINUED FROM PAGE 87)

FHA or VA; construction credit extended prior to May 1, 1951 with respect to new construction begun prior to Oct. 12, 1950; loans on savings bank passbooks; short-term construction credit; additional advances on a pre-existing mortgage; real estate loans affected by Regulation W; repair and improvement loans of less than $2,500; requirements for borrowers' statements; responsibility of purchasers of FHA and VA loans at a future date; general requirements on construction loans; borrowing on existing construction to finance new construction; exemptions under contracts to sell (Section 5f); mixed purpose loans; enforceability of contracts; and down-payment tables.

William A. Reckman, president, Western Bank and Trust Company, Cincinnati, and president of the Division, presided at the all-day session. Joseph L. Perry, president, Newton (Mass.) Savings Bank, and vice-president of the Division, addressed the meeting.

Bank Directors Are Responsible for Making Proper Audit

Decoy Money in Vogue to Deter Burglars

Bankers interested in cutting down on defalcations and burglaries should find two articles appearing in the A.B.A.'s *Protective Bulletin* for December interesting and informative reading.

Under the title "Directors Should Direct," George H. Hottendorf, secretary of the A.B.A. Insurance and Protective Committee, reports on the analysis of 160 defalcation losses aggregating $8,130,000. While 35 of these losses involved quick "snatches," 125 represented concealments averaging four years and eight months.

Mr. Hottendorf pointed out "that the longer a fidelity loss is concealed, the greater the probability that it will accumulate into a large amount.

Director Duty

"The culprits in 'one-man' banks operate alone, and through long periods of concealment their defalcations often cumulate into amounts higher than their banks' blanket bonds *and* capital structure. They may be expected to brush off as unnecessary the expense of periodic audits, and, of course, they are averse to new controls. Nevertheless, it is a responsibility of their boards of directors to see

(CONTINUED ON PAGE 89)

Some state association presidents and vice-presidents at the Kansas City Public Relations Workshop, *left to right:* Earl H. Wilkins, Geneva, Nebr.; J. W. Bellamy, Jr., Pine Bluff, Ark.; W. D. Kinnaman, Sedan, Kan.; J. H. Pullman, Sidney, Ia.; Robert E. Allen, Perry, Mo.

Long Range Trust Plans in Crisis Era

(CONTINUED FROM PAGE 86)

Bankers Association; and president, Security-First National Bank of Los Angeles.

Second Session — Monday, Feb. 5—2 P.M.

Presiding: Robert A. Wilson, chairman, Executive Committee, Trust Division, A.B.A.; and vice-president, Pennsylvania Co., Philadelphia.

"First-of-January Work Sheet For Your Trust Department," by Laurence H. Tharp, vice-president, Anglo California National Bank, San Francisco.

"A Paramount Trust Problem—Manpower," by William Powers, director, Customer and Personnel Relations; and deputy manager, A.B.A.

"Public Forums On Finance And Trust Matters"—Panel Discussion. *Leader*, Earl S. MacNeill, chairman, Committee on Trust Information, A.B.A. Trust Division; and vice-president, Irving Trust Company, New York.

Third Session—Tuesday, Feb. 6—9:15 A.M.

Presiding: Joseph W. White, vice-president, Trust Division, A.B.A.; and vice-president, Mercantile-Commerce Bank and Trust Co., St. Louis.

"Looking Ahead," by Gilbert T. Stephenson, director, Trust Research Department of The Graduate School of Banking, A.B.A.

"The Impact Of the Rearmament Program On Trust Investments," by Dr. Marcus Nadler, professor of finance, New York University.

Fourth Session — Tuesday, Feb. 6—2 P.M.

"Pensions"—Shop Talk Session: *Leader*, Laurence J. Ackerman, dean, School of Business Administration, University of Connecticut, Storrs.

Fifth Session—Wednesday, Feb. 7—9:15 A.M.

Presiding: President Trott.

"Our Tax Outlook," by Roswell F. Magill, Cravath, Swaine & Moore, New York; and professor of taxation, Columbia University.

"The Ultimate Property In America," by Dr. T. V. Smith, professor, Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University.

Present Day Banking, Due About Feb. 1, Entirely GSB Theses

Present Day Banking 1951, which will be published on or about February 1, will be a completely new departure from previous editions. The new book will contain theses — and only theses — which were written as a requirement of graduation by banker-students of The Graduate School of Banking.

Each thesis appears in a shortened form, the abridgement in each case having been made by the author.

The editors make no claim to having included in the book every outstanding thesis. Of the total of 35 in the new edition, 21 are the work of members of the Class of 1950, and were accepted for the Library of the American Bankers Association. The additional 14 are from the classes of the past three or four years. Every manner of subject affecting banking is included in this compilation.

Present Day Banking 1951 is edited by the staff of BANKING. It is being published this year in a limited edition, with no general distribution to the A.B.A. membership. It will be available for purchase through BANKING, and reservations for copies are now being accepted.

Bank Directors Responsible for Audit

(CONTINUED FROM PAGE 88)

that proper audits are made."

The second article tells about the value of decoy or "hot" money as a deterrent to burglars and bandits.

"Decoy money should not be confused with marked money," said the *Bulletin*. "An improvement in the plan is to leave currency unmarked but to film the face of the bills selected, including numbers, or to record their numbers.

"Robbers, it is said, have a deep-rooted fear of decoy or 'hot' money. Because among unmarked money there is no way of distinguishing recorded or filmed currency, the use of any part of their loot may be instrumental in tracing their movements and causing capture."

Permission has been granted to banks by the Federal Government to film *as confidential records* for projection upon screens U. S. Government securities, checks, warrants, and paper money. This authority and its limitations are set forth in an amendment to Par. 404, Chapter IV, Title 31 of the Code of Federal Regulations dated February 11, 1946.

New School Saver Inviting to the Eye

The new winter edition of the *School Saver* is as inviting to the eye and intellect of the small fry as its predecessors. This *Saver* is printed in a deep royal blue and is chock full of interesting and instructive material slanted at the grade school pupil.

About 160,000 copies of this *School Saver* will be circulated by one-quarter of the banks sponsoring school savings banking. The name of individual banks appear on the masthead of the little newspaper.

It carries many short features on the history of money, thrift, animals, birds, and includes puzzles, quizzes, cartoons, book reviews, etc. The *Saver* is published in the spring, fall, and winter by the Advertising Department of the A.B.A. as a part of its service to member banks.

CALENDAR

American Bankers Association

Feb. 5- 7	32nd Mid-Winter Trust Conference, Waldorf-Astoria, New York
Mar. 5- 6	Annual Savings & Mortgage Conference, Hotel Statler, New York, N. Y.
Sept. 30-Oct. 3	77th Annual Convention, Stevens Hotel, Chicago, Illinois

State Associations

April 1- 3	Florida, Palm Beach Biltmore Hotel, Palm Beach
April 15-17	Louisiana, Bentley Hotel, Alexandria
April 17-19	Georgia, Ansley Hotel, Atlanta
May 7- 9	Missouri, Muehlebach Hotel, Kansas City, Missouri
May 9-11	Kansas, Kansas City
May 10-11	Ohio, Statler Hotel, Cleveland
May 10-12	New Mexico, La Fonda Hotel, Santa Fe
May 11-12	South Dakota, Sioux Falls
May 14-15	Texas, Dallas
May 15-16	Tennessee, Andrew Johnson, Knoxville
May 17	Delaware, Du Pont Country Club, Wilmington
May 17-18	Oklahoma, Mayo Hotel, Tulsa
May 18-19	South Carolina, Francis Marion Hotel, Charleston
May 20-22	California, Huntington Hotel, Pasadena
May 21-22	Maryland, Chalfonte-Haddon Hall Hotel, Atlantic City, N. J.
May 21-23	Arkansas, Arlington Hotel, Hot Springs
May 21-23	Mississippi, Buena Vista Hotel, Biloxi
May 23-25	New Jersey, Chalfonte-Haddon Hall Hotel, Atlantic City
May 23-27	North Carolina, The Carolina Hotel, Pinehurst
May 25-26	North Dakota, Gardner Hotel, Fargo
May 31-June 2	Colorado, Broadmoor Hotel, Colorado Springs
June 3- 5	Idaho, The Lodge, Sun Valley
June 3- 6	Pennsylvania, Chalfonte-Haddon Hall Hotel, Atlantic City, N. J.
June 6-10	Dist. of Columbia, The Homestead, Hot Springs, Va.
June 7- 9	Massachusetts, New Ocean House, Swampscott
June 8- 9	Connecticut, Equinox House, Manchester, Vt.
June 8- 9	Wyoming, Cody Inn, Cody
June 10-12	Oregon, Gearhart Hotel, Gearhart
June 11-12	Utah, Ben Lomond Hotel, Ogden
June 12-14	Illinois, Jefferson Hotel, St. Louis, Mo.
June 13-14	Indiana, French Lick Springs Hotel, French Lick
June 13-14	Minnesota, Radisson Hotel, Minneapolis
June 15-16	New Jersey Savings Banks, Monmouth Hotel, Spring Lake
June 15-16	New Hampshire,* Wentworth-By-The-Sea, Portsmouth, N. H.
June 15-16	New Hampshire Savings Banks,* Wentworth-By-The-Sea, Portsmouth, N. H.
June 15-16	Vermont, Equinox House, Manchester
June 18-20	Michigan, Book-Cadillac Hotel, Detroit
June 18-20	Wisconsin, Schroeder Hotel, Milwaukee
June 21-23	Montana, Canyon Hotel, Yellowstone National Park
June 21-24	New York, Essex, Sussex and Monmouth Hotels, Spring Lake, N. J.
June 22-24	Maine, Poland Spring House, Poland Spring

* Joint Convention

Other Organizations

Jan. 11	Eastern Secretaries' Conference, A.B.A. Headquarters, New York, N. Y.
Jan. 12	Eastern Secretaries' Conference, Hotel Commodore, New York
Jan. 25-26	Mortgage Bankers Association's Middle Western Mortgage Conference, Drake Hotel, Chicago, Illinois
Mar. 26-27	Mortgage Bankers Association's Eastern Mortgage Conference, Hotel Statler, New York
Sept. 11-14	38th Annual Convention Mortgage Bankers Association of America, Mark Hopkins and Fairmount Hotels, San Francisco, California
Nov. 26-29	Financial Public Relations Association, Hollywood Beach Hotel, Hollywood, Florida

The Banks Are Ready to Finance Defense

AT the National Credit Conference in Chicago on December 14, 15, and 16, there was expressed again and again an awareness of the vast financing job the banks must undertake in the present emergency — and a determination that the job shall be done, and well, and in a way that will not aggravate inflationary trends.

Nearly a thousand bankers came from all parts of the country for the three-day meeting sponsored by the Credit Policy Commission of the American Bankers Association, of which the chairman is Kenton R. Cravens, vice-president, Mercantile-Commerce Bank and Trust Company, St. Louis.

Together with the realization of the banks' place in the war effort there was voiced repeatedly a grave concern over the current inflation.

James E. Shelton, *president of the American Bankers Association and president, Security-First National Bank of Los Angeles,* noted that:

"As is usually the case, the fundamental cause of inflation is to be found in the money and credit policies of the Government. The fact that the Federal budget has been unbalanced for 18 of the last 20 years is a major factor in the present situation. Every effort must be made to pay as we go, although the size of the military expenditures may make this impossible of achievement in the immediate future.

"If the administrative and legislative action taken, as has largely been the case so far, is directed primarily to efforts to divert or impede the progress of inflation rather than toward stopping it at its source, past experience would indicate that the fight will not be effectively won.

"There has been much study and much discussion on the recent trends of bank commercial credit. . . .

"We should not forget that it is the purpose of the commercial bank loans rather than merely the size or volume of such loans which determines their inflationary effect. Increased production of commodities is probably the most direct deflationary force in the economy. If loans are made for the purpose of financing essential production, then the increased production more than offsets the inflationary effect of the loan; and the whole transaction taken together is actually deflationary. Mere volume of loans is, therefore, not the sole criterion.

"The political aspects of some of these things frequently change quite rapidly. Only a few short months ago, many people in Washington were castigating the banks because they claimed the banks were not lending enough money to enough people. They were advocating new Government-sponsored agencies to get out more money in loans to great numbers of people whom the bankers felt were not good credit risks. Now suddenly some of these same people infer that too liberal lending by banks brought about the inflation. Those who fathered this 'inflation' child cannot now disown their own offspring by trying to place it in the arms of the bankers and crying, 'Here, this is your baby.'

"Private banking and the credit furnished by it are a vital and constructive part of our economy. The banks of this country have a big, a necessary, and a vital job to do in financing the preparedness program and in supporting a sound domestic economy. The banks are ready, able, and willing to do the job. They were never in a better position to do it, and they have the 'know how' based upon their splendid performance in that field during the last war. Their usefulness in this vital function must not be impaired or stymied by any premature or unwarranted curtailment or impairment of their ability so to function. The fact is that a large volume of bank credit will be required to finance the production program. The officers of this Association have twice in the last few months reminded the bankers of their opportunities, their duties, and their responsibilities. Restraint and self-control are qualities which will be found in the vast majority of the bankers in this country."

BANKING had gone to press before the National Credit Conference had completed its sessions. A few of the speeches were not available in advance and hence are not included here.

Wendell T. Burns, *vice-president, Northwestern National Bank, Minneapolis:*

"Any regulations are objectionable at best, but at this time our economy needs a deflationary program in the nondefense sector. We must take a firm stand outside the needs of the military against all inflationary forces. We must urge that Government inflationary programs for civilian purposes which have been originated in recent years be discontinued and that a policy of Government economy be substituted. Without this, no controls can be successful. . . .

"In the savings and mortgage field, the course of bankers is clear. We must meet the challenge of defeating inflationary forces which would undermine our national economy at a time when our full strength as a nation is required to the utmost. We must cooperate in supplying the needs of the people with mortgage accommodation within the framework of established national policies."

W. W. Campbell, *president, National Bank of Eastern Arkansas, Forrest City, and chairman of the Agricultural Commission of the A.B.A.:*

"One of our objectives in the present economic situation is to prevent bank credit from being used for speculative purposes. This immediate effort fits in with our long range national program for country banks to help keep agriculture financially sound. That program

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spells out the things that banks can do now to make sure their loans to farmers will measure up to the requirements of defense:

"1. Encourage farmers to build up the productivity of their farm land in order to increase the production of food and fiber.

"2. Refuse to lend for speculation in farm lands or in farm commodities.

"3. Discourage all borrowing based upon high farm prices that might result in excessive indebtedness which possibly could not be easily retired under different price conditions.

"4 Keep in mind constantly that the sound value of farm land depends upon the capacity of the farms to produce a profitable income over a period of years.

"5. Encourage farmers to pay existing debts out of present high income.

"6 Urge farmers to build up financial reserves through ownership of U. S. Savings Bonds and savings deposits."

Carlisle R. Davis, *vice-president, State-Planters Bank and Trust Company, Richmond*:

"To accomplish our job, we will have to change our loan policies in many cases. We must take care of all legitimate credit needs of our worthy customers. We must handle all loans which can be properly arranged and which are to assist in rearming. We must cooperate with the Federal in its anti-inflation efforts. We should discourage speculative loans and be more selective in the choice of our loan risks. We should encourage loans that will increase production, needed both for rearming and for our civilian needs. We must arrange intelligent repayment programs on our new loans, at the same time encouraging the more rapid liquidation of some of our present loans which are good but which have been slow. We should be intelligent in the pricing of our money, recognizing this as a means to assist in curbing inflation to some extent."

Carl M. Flora, *vice-president, First Wisconsin National Bank, Milwaukee*:

"Bank credit will be an essential factor in increasing our production, and thus will play an important part in our defense economy. It is to be expected that the total amount of bank loans will increase in proportion to the growth in our production. We fully recognize our responsibility as bankers to avoid the extension of credit which is unsound, speculative, or nonessential. At the same time, we are keenly aware that it is our duty to extend the necessary credit to finance the production of defense equipment and goods; the production of machinery equipment and goods for civilian use; the distribution of these articles; and finally, but also vitally important, the retail purchase of machinery and equipment including consumers durable goods."

Thomas J. Green, *partner, Peat, Marwick, Mitchell & Co., New York, and chairman of the Federal Taxation Committee of the American Institute of Accountants*:

"The provisions for relief (in the new Excess Profits Tax Bill) seem to have been hastily drawn, apparently with the principal purpose in mind of devising mathematically simple methods of determing the amount of relief."

Mr. Green objected to having the Treasury Department charged with granting relief under the bill, while at the same time furnishing the "unchallengeable formula" for computing the amount of such relief.

"In my opinion there should be deleted from the present Excess Profits Tax Bill any reference to relief provisions, since the presently written provisions are inequitable. In the meantime, Congress should instruct the Joint Committee on Taxation to prepare recommendations for genuine relief to be administered outside the Treasury Department. Legislation could then be enacted after careful and prayerful consideration of the Committee's recommendations."

Frederic A. Potts, *president, Philadelphia National Bank*:

"It is our responsibility to sacrifice both as individuals and as bankers. As individuals, bankers must forego and defer some luxuries. As bankers, we must appreciate and understand the problems involved, and we must cooperate in attempts to control inflation. The further expansion of credit and of the money supply definitely must be curbed wherever possible. I cannot emphasize that too strongly. In addition, we should encourage, wherever possible, savings and the deferment of unnecessary purchases."

Everett D. Reese, *president, Park National Bank, Newark, Ohio, and chairman of the A.B.A. Small Business Credit Commission*:

"Before the Korean war, there developed considerable agitation to set up machinery that would provide aid, advice, and credit to small business. . . .

"The criticism is now being made in some quarters that too much credit is being granted and that it should be restricted. . . .

"This is a most difficult time because the country is in a period of transition from peacetime production to defense production. The peacetime volume is still at a very high level. So are prices. At the same time, the needs of defense are overlapping the regular economy. This means that an unusual amount of credit may be necessary during this particular period while business is attempting to change over into the wartime economy and still maintain as large a civilian type of production as is possible."

Robert C. Tait, *president, Stromberg-Carlson Company, Rochester, New York*:

American industry has the productive capacity to handle both the nation's defense needs and civilian production; but careful economic planning by government will be required, according to Mr. Tait.

"You wouldn't want a bunch of civilians untrained in military affairs to try to run a war. Neither should we expect military men untrained in business and manufacturing to try to run the civilian economy. It is perfectly natural for any military procurement officer to buy more than he needs—in fact, he should buy more than he needs. However, I for one believe we should have a Civilian Control Board through which military procurement is screened. If it did nothing else, it would provide a facesaver for the procurement officer who fears he may one day be censured for not having enough. This is simply my conception of the kind of checks and balances we need in order to keep this astounding productive machine of ours running at full tilt and continuing to expand."

Can't teach an old dog NEW tricks!

Maybe not. But we'll bet our last income tax exemption even Rover could operate Monroe's 410 Adding Machine—it's that easy. And efficient! This work-hungry Monroe gobbles figures, eats 'em alive with one steady, effortless "Rhythm-add" cadence of operation. Add exclusive "Velvet Touch"—Monroe's matchless simplicity, ease of operation—and you have a machine that more than earns its keep anywhere you use it in your bank. Operators using Monroe "Rhythm-add" report a 10 per cent increase in speed and output after only the first few days of operation! Put that time-saving efficiency to work for *you*. Call your local Monroe representative listed in the classified section and see this figure-fighting Monroe in action. Today!

MONROE ADDING MACHINE

- ☆ Glareless "Cushion-topped" Keys
- ☆ Direct Subtraction
- ☆ "Velvet Touch" Ease of Operation
- ☆ Automatic Credit Balance
- ☆ Versatility

MONROE

MACHINES FOR BUSINESS

Monroe Calculating Machine Company, Inc., General Offices, Orange, New Jersey

Policies to Ease Inflation Pressures

(CONTINUED FROM PAGE 51)

Federal regulation might be desirable in that area if excessive speculation should develop. Unquestionably this is a problem which should be approached with utmost care to avoid interference with the proper functioning of the markets.

In the judgment of the great majority of bankers and economists, selective controls should be accompanied by a policy of tightening credit generally.

No one, however, argues for a really drastic across-the-board tightening of credit. Certainly the expansion of industry should not be brought to a standstill by excessively tight credit.

Most of the contributors, nevertheless, advocate going considerably further than the mildly restrictive policy pursued by the Federal Reserve System during the last half of 1950 which resulted in a rise of about ¼ of 1 percent in short-term interest rates. One banker terms this policy "a beginning." Another comments that the moves made to date have been "in the right direction but not great enough to be very effective."

Short-Term Rates

As regards short-term rates, most bankers and economists believe that a further moderate increase during 1951 would be "useful and desirable" to combat inflation. However, higher short-term rates alone are not expected to accomplish miracles.

This raises the question of policy with respect to the long-term market. A further increase in short-term rates obviously might bring pressure on prices of long-term Government bonds. In that event, should the Federal Reserve System continue to support Government bonds at par or higher, or should quotations for some of these issues be permitted to decline somewhat below par?

By a ratio of almost three to one, the participants in the BANKING survey advocate letting some issues of long-term Governments dip below par. None, of course, suggests that Federal Reserve support should be abandoned completely.

The chief argument for permitting Government bonds to break par is that this would tighten the availability of credit. There is a decided reluctance on the part of most institutional investors to sell bonds at book losses, even though they may be able to transfer their funds into higher yielding loans or securities. Conversely, when the Reserve System supports Government bonds at par or higher, the result is to keep most types of credit easily available both from banks and from other institutions holding large quantities of Government securities.

The minority on this issue, however, includes such authorities as Dr. Marcus Nadler, J. H. Riddle, Sidney B. Congdon, Russell M. Colwell, Professor Jules I. Bogen and others.

As is well known, some monetary officials adopt a very cautious approach to this problem.

Interest Rate Flexibility

On the basis of the replies, nevertheless, most bankers and economists favor tightening credit by greater flexibility of interest rate and open market policies rather than trying to do so by increasing bank reserve requirements. The general attitude is that if rate policy is more flexible, higher reserve requirements will not be needed to tighten credit. And conversely, if the Reserve System keeps interest rates stable, moderate increases in reserve requirements have very little anti-inflationary value.

Reasoning in this manner, about two-thirds of the contributors are opposed to granting the Federal Reserve System any additional authority over bank reserve requirements. Also, of course, as a monetary technique, changes in reserve requirements are particularly objectionable.

The case in favor of augmenting control over reserve requirements rests upon the contention that the growth of the public debt has rendered the Federal Reserve's existing powers largely unusable. According to this view, the practical inhibitions on the use of interest rate and open market policies are now so great that the Reserve System needs new powers to restore its authority over credit.

To sum up, the majority advocates the following Federal Reserve policies to combat inflation: (1) Tighten the controls on consumer credit and mortgage loans; (2) raise margin requirements if excessive speculation develops in the stock market; (3) permit a further increase in short-term interest rates; (4) permit some issues of long-term Government securities to dip below par; and (5) leave reserve requirements alone.

How can the bankers themselves, acting either individually or through their associations, supplement this program?

The answers to this question differ considerably. One point, however, is clear. At certain times in the past, lenient banking policies have aggravated inflationary booms. Fortunately for our economy, this has not been the case, broadly speaking, during the past decade.

Can they make a more positive contribution? Most outstanding bankers and economists answer in the affirmative. A majority believes that bankers should tighten up more on loans to borderline borrowers. Some think they should go further and discriminate against loans which may be perfectly safe but which are for "nonessential" or "nonproductive" purposes. Another step would be to urge customers to avoid overstocking and to postpone unnecessary expansion.

Is Preaching Enough?

Will mere preaching suffice? Some think not. One bank economist feels that considerable study by bankers is needed to define the standards which should be used to classify loan applications as being inflationary or noninflationary.

Opinions differ as to how effective the efforts of bankers can be. Some are frankly skeptical. No one thinks that voluntary action can do the whole job of credit control by any means.

It must be emphasized, however, that in the situation which confronts us, Federal Reserve and banking policies cannot accomplish much unless the Federal budget is kept under control.

Bankers have major responsibilities with respect to fiscal policies as well as credit policies. Theirs is a unique social obligation to provide the community with constructive leadership on problems of public finance. With so much at stake in the years immediately ahead, now is the time to assert that leadership.

How to Size People Up

(CONTINUED FROM PAGE 41)

beyond doubt that the shape of face tells nothing about abilities—a bulging forehead is as likely to mean the person had rickets as a child as that he is a great thinker now.

A receding chin is another detail which folklore guesses as meaning a weak will. This is a detail which means nothing. Colonel E. M. House was stronger-willed than most men, yet he had almost no chin.

A person's past behavior is a good indicator of what he will likely do in the future. The young man who had good grades in arithmetic is likely to be a better invoice clerk than the one who had poor grades and left school after the seventh grade. And we are justified in suspecting that the person who had trouble getting along with teachers will have trouble getting along with his bosses, or wife. The girl who has been flirtatious in the past is likely to continue to flirt, despite the bonds of matrimony. The man who has been hotheaded in the past is likely to be in the future—and red-headedness tells nothing about his temper. The person who has been late to appointments is not likely to change this habit.

There is good psychological sense in the comment that one is about the same kind of man that he was a boy. People may grow larger in size, but they seldom are motivated to grow out of their past habits. Learn about these past habits to size up what they will likely do, and be able to do.

LOOK FOR MEANINGFUL QUALITIES, NOT FOR PET THEORIES

One executive who thinks he is a great reader of character likes to ask others for a pencil. If the person cannot produce one instantly without fumbling, the executive infers he is an unsystematic person. This inference is not justified in the least.

Some interviewers like to drop a pencil, and if the other person picks it up, conclude he is the helpful type. But this stunt tells nothing about helpfulness.

"Hang up your hat and sit down," says another, when there is no hook or chair in the room. Nor does this trick reveal anything about the man's initiative and self-reliance.

"What did you have for dinner last Sunday," another asks under the mistaken belief the answer will show whether the person has a good memory. There are at least four primary memory abilities, and one could remember all about that Sunday dinner and yet be very weak in

"'Hang up your hat and sit down,' says another when there is no hook or chair in the room . . ."

memory for names and faces, or memory for instructions, or memory for the new price lists.

The same is true for neatness, as suggested earlier. A person's appearance may be neat as a pin, yet he may be an untidy worker. Edison, for example, was sloppy in personal appearance, but his handwriting had a copybook neatness.

In sizing up others we must know all about such ins and outs in human nature. Most judgments of people are made on pet theories which are without justification. There are, however, proved primary mental abilities, and primary temperamental qualities, and basic interest groupings, which are the foundations of human make-up. These primary characteristics are the things to follow when sizing up others, not pet theories.

"Sales ability," for instance, is something that is not a definite trait itself. Instead, there are some primary temperamental qualities, such as aggressiveness, which the salesman needs. There are some basic interest groupings, such as liking to be with people, which need to be looked for in prospective salesmen. And some primary mental abilities, such as remembering names and faces, which help make better salesmen. Those primary characteristics make it possible for some people to sell.

Our skill in sizing up others is given a big boost when we look for primary characteristics. Estimate primary qualities, not their end result, which is called "sales ability," "mechanical ability," or what-not.

To improve in the art of sizing up people, take it in easy steps:

Step 1—*Know your prejudices about people,* and then discount judgments in which these prejudices might be at work.

Step 2—*Observe details* and avoid being misled by general impressions. Keep your likes and dislikes out of it.

Step 3—*Observe steadily* and change your judgments as often as necessary. Give up the notion you can size up on sight. Make sizing up a continuing process, not something that stops after one meeting.

Step 4—*Study his past behavior,* not his bones and complexion.

Step 5—*Size up on primary qualities,* not superficial characteristics. Get down to the bedrock of human nature. After all, this makes it much easier, too, for there are more than 20,000 words which describe superficial characteristics. Only a couple of hundred primary qualities have been discovered by psychological research. It is simpler to estimate on 200 than on 20,000. And even 200 is more than we need to size up in daily life—on the run.

MOST exponents of welfare statism denounce totalitarianism, yet they advocate a course of expansion of governmental powers and attrition of individual freedoms that tends in that very direction. It cannot be otherwise, for when the state undertakes to define welfare and force its citizens into the prescribed paths deemed necessary to promote it, this can be done only by the exercise of powers not possessed by a government based on truly liberal principles.

—*The Guaranty Survey, published by the Guaranty Trust Company of New York.*

Long or Short-Term Bonds?

(CONTINUED FROM PAGE 37)

sury bonds is that this industry's holdings of long-term bonds had no period of rapid growth during the nine and one-quarter years under investigation. These holdings were large at their inception (the life insurance companies were major original purchasers of each long-term bond offered in the War Loan drives) and continued so until 1947.

While life insurance company holdings of Government bonds declined from a peak of $20.4-billion in March 1946, to $13.9-billion at the end of July 1950, recently published data indicate that a turning point has been reached and that the life insurance companies in the face of policy sales of just under $25-billion (at the 1949 rate) have again become net buyers of Government bonds.

It has already been stated that the life insurance companies were major original purchasers of long-term bonds, and it has likewise been pointed out that only short-term bonds were issued for commercial bank purchase during the several War Loan drives. Hence, the life insurance companies built up vast portfolios of long term "tap," or ineligible, bonds.

Not only, however, were the life insurance companies owners of ineligible bonds, but they also were the prewar owners of such bank-eligible issues as the 2½s 3/15/1956-58 and the 2½s 9/15/1967-72; and in the various War Loan drives they became large holders of all eligible issues offered. By and large, the insurance companies liquidated their eligible bond holdings at high prices in 1946 and 1947 for the purpose of satisfying the demands of commercial bank investors, and also in order to obtain the funds needed by the insurance companies to negotiate private loans. Thus, in regard to the disposition of their eligible bonds the life insurance companies stand out as very shrewd investors, having bought the bonds at or near par and having sold them at substantial premiums for the purpose of reinvesting in higher yielding investments.

In view of the mutual nature of many of the life insurance companies in the United States, it should not be surprising that their holdings of partially tax-exempt bonds are negligible. The holdings of long-term partially tax-free bonds were sharply reduced in the middle of 1947, since under the then existing Federal income tax law it became unnecessary for life insurance companies, due to their low earnings, to pay any corporate income tax. As a result of the Revenue Act of 1950, it may be that the insurance companies will begin to repurchase some of the partially tax-exempt bonds which they liquidated in 1947; however, it seems that it is more likely that they will insulate themselves against tax liabilities by purchasing long-term municipal fully tax-exempt issues which also provide a reasonable yield.

"Oh, NO! Not *you* again *this* year!"

Federal Investment Accounts

The last group of investors whose holdings of U. S. Treasury bonds were analyzed was the United States Government investment accounts. These accounts included such funds as the Federal Old Age and Survivors Insurance Trust Fund, the Unemployment Insurance Trust Fund, and other investment accounts which are managed by the Treasury Department.

These funds are the owners of large amounts of fully marketable Treasury bonds. An analysis of the Treasury *Bulletin* for March 1950, which presents 1949 year-end bond holdings of the Federal Reserve and Government investment accounts combined, together with an analysis of the 36th annual report of the Board of Governors, indicates that the investment accounts held $5.2-billion of marketable bonds at the end of 1949.

With funds of over $5-billion under its control in the form of marketable Treasury bonds, it must be apparent that the Treasury is in a potential position to manage the Treasury bond market in whatever manner it so desires. Since the Treasury trust funds have been increasing at the rate of $2- to $4-billion annually, and since the signing by the President in September of the liberalized Social Security Act will substantially increase the annual receipts of the trust funds, the latent power residing in these funds as tools of fiscal management should definitely not be underestimated.

In summary, then, it may be stated that our statistical analysis strongly indicates that on an overall basis the practice of commerical bank investment has undergone an evolutionary process which has resulted in a marked trend toward extending bond maturities. Such a trend may not be obvious in each geographical area of the country, but on a national basis our data definitely substantiate the existence of such a trend.

The life insurance companies have constantly been long-term investors and now, as the supply of other investments is beginning to diminish, they have redirected their attention to Treasury bonds and within the first eight months of 1950 are reported to have made net purchases of over $1-billion of such bonds. Such action again seems to reaffirm the conviction of the second major investor group in the continuance of low long-term interest rates.

Finally, the investment by the Treasury trust funds in over $5-billion of Treasury marketable bonds has made available a fiscal tool the efficacy of which was well demonstrated in 1947-48, and under present conditions of increasing Social Security payments there is every reason to believe that this fiscal device will become constantly more efficacious.


The First National Bank of Chicago
CHICAGO, ILLINOIS, U.S.A.
A390000
$20.00
SPECIMEN
ON DEMAND
WILL PAY THROUGH
ITS CORRESPONDENTS
TO THE ORDER OF
SIGNATURE OF HOLDER
PAYABLE IN OTHER COUNTRIES AT CURRENT
PRESIDENT
CHECKS ON NEW YORK
1st

Microfilming Bank Records

(CONTINUED FROM PAGE 50)

in the absence of statute is that microfilm reproductions of old records are just copies, and secondary evidence.

Many States, Many Solutions

Many states have attempted to remedy this situation by enacting statutes to simplify the admission of photographic reproductions of records and 28 such statutes now apply to bank records.

The statutes will intrigue the lover of variety as well as indicate that there is little agreement on what such a statute should contain. In many cases they will prompt one to wonder if they actually achieve the avowed purpose of their sponsors to simplify the admission in evidence of photographic reproductions.

Some of them apply to business records generally, some to bank records only. Some apply to all bank records, others only to certain of them.

Some provide only that reproductions be admissible before the courts, others that they shall be admissible before administrative agencies as well, or that they be considered the same as original records for all purposes.

Though the purpose of the statutes is to make an exception to the best evidence rule, many of them contain "safeguards," in language similar to that of statutes defining the book entry exception to the hearsay rule. And in some cases, the photographic evidence statute has been arrived at by amending the hearsay statute. In others, the "safeguards" are original.

Thus, though it seems that a microfilm reproduction will appear the same no matter why or when made, and regardless of the existence of the original, some statutes require that it be made for the purpose of keeping a permanent record of the original, some that it be made in the regular course of business; and some that it also be the regular course of business to make reproductions.

An accident report has been held inadmissible on the grounds that the regular course of a corporation's business was not getting into accidents. What effect such reasoning would have upon microfilms of bank records is not known.

It might be wondered what exception to the hearsay rule is made by a statute providing that a microfilm is admissible only when the original has been destroyed or otherwise disposed of. One might also wonder if microfilms of old records, made many years after the records, are covered by a statute requiring that they be made at the time of the transaction or within a reasonable time thereafter.

Whether a statute requiring microfilms to be made by a process which accurately reproduces the original "in all details" might require the use of colored film is a moot point.

Actually, what should be in a photographic evidence statute is a matter to be decided in each individual state. So far as banks are concerned, a need for a statute exists only if photographs which banks wish to use as evidence cannot be used, or cannot be used with reasonable ease under existing law.

Status of Bank Records

While a statute applying to photographs of business records generally would also apply to bank records, it might often be easier to secure passage of a statute dealing only with the latter. The law has often considered bank records to be more trustworthy than business records generally, and it might be expected that the same would be true in the case of microfilm reproductions of them. In fact, a Massachusetts statute flatters them by putting them on a par with church records.

It would also seem that a statute need do little more than state, in effect, that a microfilm shall be considered the same as an original, admissible or inadmissible as is the original. If "safeguards" are deemed necessary, they should not be such as to defeat the purpose of the statute.

Since it is not likely that banks will make wide use of any but the microphotographic process there does not seem to be any pressing need to complicate a statute by making provision for photographs made by other processes, since they are not by their nature as reliable as microfilms and are already generally admissible as secondary evidence.

Consider the Costs

Finally, before embarking on any program for handling old records, various cost factors might be considered. The current cost of retaining original records —including furniture and personnel, as well as space— should be known. The cost of retaining original records might be compared with the losses which it is estimated their retention averted.

The estimated cost of transferring old records to film and of regularly filming records in the future might be determined. This would include not only the cost of film and microfilm machinery, but the cost of handling old records preparatory to filming, as well as the actual labor cost of filming, which varies with the speed and skill of the operator, the speed of the machine and the size of the records being filmed. For example, one bank, using a hand-fed machine capable of taking a maximum of 3,600 records per hour, estimates average productivity at 1,650 per hour. The cost of the microfilming operation might then be compared with the savings expected to be effected thereby.

In short, the comparative costs of retaining records in their original state and on film should be determined, and the cost of their preservation in either form compared with the risk involved in their destruction. While the past is no guarantee of the future, it is always possible that the benefits received from retention of some old records in the past, were so small as to make their destruction a justifiable business risk in the future.

In Congress nobody loves a fact man.

In a divorce suit the seamy side generally shows.

The fountain pen writes, and having writ—blots.

Methods and Ideas

(CONTINUED FROM PAGE 39)

by reporting on the progress and achievements of local industry.

Copy is written by a former agency man retained by the bank on a fee basis. Ads appear once a

One of the Racine bank's news-ads

week. Proofs are mailed with the bank's statements and with its monthly publication.

A Savings Reminder

THE BUSHWICK SAVINGS BANK of Brooklyn distributes a friendly, useful promotion piece. It's a bookmark — rather, a series of bookmarks, each bearing the silhouette of a prominent American. At the top of the picture is the subject's name and birth and death dates. Beneath are short quotations from his writings or addresses.

At the bottom of the marker is the bank's seal and this sentence: "To remind you where you left off reading and where to take up saving."

The back of the long, narrow piece of heavy cream-colored paper lists the bank's services.

Safe Deposit Boxes in Color

FIRST NATIONAL BANK of Evanston, Ill., has found it advantageous to display safe deposit boxes, each painted an attractive color. Samples are displayed on a rack near the entrance to the bank where customers will see them as they leave.

The purple box is labeled "$3.00 a year," the brown $4, the red $5, the green $7, and the white $10.

While, of course, the boxes in the vault are not painted these colors, the samples make an attractive exhibit. The officer in charge of the vault says the display has kept vaults rented and there is generally a waiting list.

Smith College Girls Have Bank

THIS story will be of particular interest if your bank is in a college town.

Smith College undergraduates, at Northampton, Massachusetts, have established a student bank to handle the funds and bookkeeping of approximately 40 campus organizations, 27 of which are supported by a student tax. The bank is under the direction of the college treasurer, William A. Bodden.

Miss Nancy Morse of Milton, Massachusetts, a junior, takes care of the banking business from a desk in the treasurer's office. Miss Morse is the daughter of Charles W. Morse, senior vice-president of Doremus & Company, Boston, and formerly with the National Shawmut Bank of that city.

The funds, averaging about $23,000, are deposited with the Northampton National Bank.

Miss Nancy Morse, *right*, who heads the Smith College student bank, accepting dormitory funds from Miss Nancy Kugel, a senior

An Ad That Clicked

FROM Jacksonville comes word of the extraordinary interest created by an advertisement of THE BARNETT NATIONAL BANK of that city.

Entitled "Fable of the Gullible Gull," the ad, we're told, has been reprinted in more than 400 newspapers, not to mention *Reader's Digest* and *Pathfinder* magazine. The *Wall Street Journal* and the *Chicago Journal of Commerce* wrote editorials on it, and requests for permission to make some 900,000 reprints have been received. Bankers throughout the nation have written

(CONTINUED ON PAGE 104)

This is the bank advertisement that has been so widely reprinted and commented on

(CONTINUED FROM PAGE 102)
to the Barnett National Bank about it.

Read our reproduction of the ad and you'll see why.

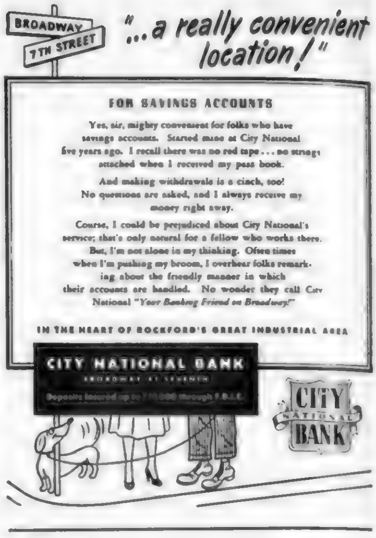
Conversational Ads

CITY NATIONAL BANK of Rockford, Illinois, has a series of ads that take the conversational approach to the promotion of its services. Copy is chatty and casual, and illustrated with drawings.

Services covered included savings, after-hours depository, bank by mail, safe deposit. For instance:

"Just a Bunch of Papers . . . Was over at Charley's house last night. What a blow *I* got! He opened an end-table drawer to get something. It was so jam-packed with papers that a few of them popped out and fell to the floor. Charley said it was no concern; the papers were just war savings bonds, insurance policies, and such. . . . I suggested he put those papers in a safe deposit box at City National. . . ."

Other ads of the series were in similar vein.



Informal, chatty, readable

In Brief

Seniors at the Rhode Island School of Design took part in a $200 prize contest to produce the annual Christmas newspaper ad of the INDUSTRIAL TRUST COMPANY, Providence. Entries were exhibited at the bank, which plans to make the contest an annual event.

BANK OF MONTREAL based a series of five advertisements on the addresses made by its president, B. C. Gardner, and its general manager, Gordon R. Ball, at the 133rd annual meeting. The bank began this practice in 1945 and has continued it with good results.

ROCKLAND-ATLAS NATIONAL BANK of Boston published in a newspaper advertisement excerpts from the resolutions adopted at the 1950 convention of the American Bankers Association. The ad was headed "Communism and Inflation — Twin Threats."

The FIRST NATIONAL BANK of Pikeville, Kentucky, sends its friends a package of double hollyhock seeds, with the personal compliments of the vice-president and cashier, John M. Yost. A promotion letter and some advertising material accompany the seeds.

The UNITED STATES TRUST COMPANY of New York is distributing "The Investor's Iron Curtain," an illustrated booklet featuring charts that illustrate a few investment problems and highlight some interesting and unusual business trends of the last 80 years.

Redevelopment

(CONTINUED FROM PAGE 57)

local industry complains because it cannot recruit sufficiently large labor forces. In one section which should be industrial, over 300 families have their living quarters; in an area currently being planned for low-rent public housing, many ineligible families reside.

There are funds available for industrial development but these cannot be used until housing is created for 300 families who still live in the industrial area. A group of investors is interested in residential development, but the problem of mass eviction makes these funds unusable.

In the face of these divergent and conflicting facts, the Near West Side Planning Board has evolved an outline for redevelopment that is in keeping with the nature of the locale. The blueprint for a revitalized, modern community includes: redevelopment of the industrial and commercial areas; improvement of existing community facilities such as churches and schools, and conservation of residential structures where sound, with new building where necessary or desirable. The board's time schedule calls first for conservation measures, supplemented later by new construction.

Some specifications of the plan:

(1) In industrial redevelopment, conditions will be improved for those firms now properly located and new accommodations will be found for those whose present location is bad.

(2) The area's main shopping center, which ranks third in annual sales among the 30 principal neighborhood shopping sections in Chicago, is to be refurbished and rehabilitated along present commercial streets.

(3) New residential building will be financed by a combination of public housing, nonprofit and profit housing. Equally varied will be the range of housing accommodations as apartment buildings of various heights rise side by side with row houses and free standing homes in the Near West Side of Tomorrow.

If any overall plan for the redevelopment of the area encompasses these conditions, the board believes it will be workable. Other rehabilitation projects in Chicago and elsewhere have been stymied because they failed to make a similar provision for existing interests and because they failed to provide a suitable combination of public and private funds.

The general concept set forth above, if worked out with imagination, ingenuity and vision, can produce a new community which will be supported by the present residents and businessmen of the area.

It will take a great deal of time, patience and cooperation on the part of everyone for everybody's in on this thing called redevelopment.

"Will you accept a check?"

World Business

(CONTINUED FROM PAGE 53)

vilian use of metals and thus perhaps threatening some closing down of production facilities and disbanding of skilled workers soon to be needed for defense orders. The aluminum order was modified in early December. The Chamber of Commerce among others had protested too-fast cutbacks, basing its position on a report prepared by the committee headed by Dunlap C. Clark, president of the Central Bank of Oakland, California.

Canada Looks Ahead With Confidence

AMERICAN and international events have cast their shadows over Canada, with economic and political effects north of the border. The Korean war tension and fears of another world conflict gripped public as well as official minds just as the first complete Canadian army contingent embarked at Seattle for Korea. While there was no widespread criticism of American actions in Asia, such as voiced in Europe, Dominion Government authorities felt strongly that every means of reasonable settlement with the communist war lords should be adopted in the hope of localizing the hostilities. But there was a strong desire to honor Canada's pledged obligations to join with the United States in defence measures against aggressive communists, even in the face of some influential isolationist groups, notably in the Province of Quebec.

Steel Rationed

Canada has followed the lead of the United States and rationed steel. This material comes under government control on January 1, and defence industries have first call on available supplies. None will be allocated for nonessential building projects, such as amusement, recreation, beverage, and outdoor advertising interests. Moreover, all other large nonessential users of steel will have to obtain government permits for their supplies. This action, which it was hoped could be avoided for some time, was due not only to a growing shortage of Canadian steel but, also, of American.

Canada's "Iron Age"

Canada is, however, now assured of an "Iron Age" of her own. Arrangements have been completed by over 20 American and Canadian investment and insurance concerns and six of the leading steel companies in the United States to provide $200-million for the first stages of development of the new Quebec-Labrador high-grade iron fields. Work is commencing on mining, handling, hydroelectric power, and transportation facilities (the last mentioned mainly in the form of a 360-mile railway through a wilderness) to tap the 400-million tons of hematite now proven in the field. About 10,000 men will be required for the various construction jobs. Production, at the rate of 10-million tons per year, is planned to start in 1955, but development might be shortened.

As great, in some respects or even greater, a project is looming up in the Steep Rock field on the Canadian side of Lake Superior and, therefore, almost as easily accessible to most of the major steel industries of the United States as the Mesabi range. Development work over the last 12 years has resulted in mining operations of about 1,250,000 tons of ore in 1950, but the output is expected to reach 10-million tons annually in five years' time. Some experts say this field is the largest concentration of high-grade iron in a comparable area ever known.

Economic Trends

General economic trends in Canada are rather similar to those in the United States. Thus, some rather marked changes are now taking place in business conditions and a lull in certain forms of industrial production is noticeable. This industrial decline, almost entirely in secondary manufacturing, follows a general upturn during the early autumn when the output of goods exceeded by about 5 percent that of a year previous. This decline can, and probably will, be checked as actual plant work is speeded up on the new armament orders included in the contracts of more than $600-million which have been awarded by the Dominion Government, and additional orders may be expected.

Export Trade

Canada's export trade may decline to some extent in the next few months from the record peacetime level, about $3-billion, in 1950. The American market, which has taken nearly two-thirds of Canada's exports in the past year, is not as receptive to Canadian cattle and lumber (both of which helped quite markedly to raise exports south of the border) as it was a few months ago, though it will continue to absorb about all the metals, wood pulp and newsprint it can obtain.

Later, perhaps midway through 1951, the tide of American-Canadian trade will change again. Look for the change as Canadian metals and wood pulp production increases for the American market, and as Canada's imports of American products, practically all released from control after January 1, rise to meet the Dominion's expanded requirements for armament and civilian uses.

So far Canada has managed to follow her "pay-as-you-go" financial policy. In fact the Federal Government's revenues have exceeded expectations and a larger budgetary surplus than was anticipated may be shown at the end of the current fiscal year, March 31. But the Prime Minister and the Minister of Finance have plainly warned the Canadian public that it will have to bear a higher tax bill next year. It is quite possible that defence measures will raise the Government's total expenditures by nearly one-fifth to about $3-billion.

Small Banks and Foreign Trade

THERE are in the United States 7,500,000 families with an income of over $5,000 a year. They are scattered all over the country and represent a tremendous market for foreign products which have distinctive features. By promoting foreign trade, American commercial banks may find a new and profitable field.

Import statistics show that most products can be conveniently purchased in Europe, especially if they have a distinctive feature which sets them aside from the standard mass-produced goods. The *Journal of Commerce*, New York, publishes a

Part of an exhibit of goods of Italian manufacture, currently being shown at the Brooklyn Museum in New York and later to tour the country. Handicraft work in Italy has received Italian government support and aid from United States funds. One purpose of the traveling display is to arouse consumer demand in this country

weekly "Import Bulletin" which lists the merchandise imported in the United States, each showing several thousand shipments and indicating the country of origin, the merchandise, and the consignee. Each "bulletin" also has a short column called "Significant Arrivals," containing such items as "heavy tile shipments from Italy, Japan and England," and so forth.

The American wholesalers and retailers know the needs and tastes of their customers. The fact that certain articles are imported means that they can compete with domestic products. The prospective importer will know that their quality meets American standards and tastes and that their price, after payment of custom duties, will compare favorably with those of domestic products.

Check Current Imports

The new business departments of the larger banks could call periodically to the attention of their clients one or two items which are currently being imported in the United States and which appear interesting. Such information could be conveyed also to the correspondent banks located in other cities or towns.

The prospective importer could obtain through his bank the names of reliable foreign suppliers who are already selling in the United States and are, therefore, familiar with the requirements of the custom authorities and in most cases familiar with the English language. Most large banks have a foreign trade development department which can connect American importers with reliable foreign suppliers.

Although small banks usually are not equipped to handle foreign business, they can use for this purpose the services of their correspondents in larger cities. The larger banks will be glad to arrange all the formalities for the importation of any products, and will be glad to explain to the smaller banks the various possibilities of providing for the custom entry, delivery, and payment of the imported items.

The average businessman believes that the import procedure is very complicated, which might be true in some cases. However, if things are handled through a bank which has a foreign department and through a well established custom broker, then all the importer has to do is to pay the cost of the merchandise, the import duty, a small commission to his bank, and a fee to the custom broker. These charges will be obviously much smaller than the markup which import houses would charge if the products were purchased through them.

The following suggestions are made to avoid complications and to increase the chances of success of the promotion effort:

(1) The larger bank should include in the list of "significant arrivals" only articles which have been recently imported.

(2) When possible, only names of firms abroad that are already exporting to the United States should be recommended to the prospective importers.

(3) The prospective importer should arrange for the payment of the merchandise by opening a letter of credit in dollars (not in foreign exchange).

(4) The prospective importer should use the services of a custom broker to make the custom entry.

The large bank should supply to its correspondent banks the following information and comments:

(1) Such and such item is being imported in the United States.

(2) Since such item is being imported, its quality presumably meets domestic standards and tastes.

(3) The approximate cost of the item delivered in the United States should be indicated; the cost will include the list price abroad, plus transportation and insurance charges, plus custom duties (such charges and the duty usually represent certain percentages of the list price of the goods, and can be determined in advance with very close approximation).

(4) The name of the nearest agent in the United States or of the foreign supplier should be indicated, with the suggestions that prospective importers should contact them direct for samples and further details.

(5) The large bank will take care of the opening of letters of credit and, where required, will supply a list of reliable customs brokers (the importer will select his broker).

It is not necessary for the importer and the smaller bank to be familiar with import and customs regulations. The shipment will be made by a firm which is already exporting to the United States and therefore knows the American import requirements. The custom broker will take care of any custom formalities connected with the custom entry.

The buyer does not have to know anything about foreign exchange regulations if the letter of credit is opened with an American bank and payable in dollars in the United States. For this reason the American buyer should avoid the opening of letters of credit in foreign currency which would be subject to foreign exchange restrictions.

EMILIO MAYER
Assistant Representative
Banca Commerciale Italiana
New York

Banks Back Conservation

(CONTINUED FROM PAGE 60)

their national convention in Atlanta, Georgia. As a result, Nebraska had one of the largest representative groups in attendance. The banks at Stratton and Trenton, Nebraska, held a soil conservation field day with several hundred farmers and ranchers in attendance. Free airplane rides were offered all land owners and operators who wished to see their farms from the air, to study the effects of erosion and the success of conservation measures for controlling soil and water; and the banks paid the bill. Other grass, soil and water, and demonstration field days were held.

Aids 60 Banks

During the year, 60 banks requested assistance in planning community sponsored programs; 13 so-called "conservation clubs" were sponsored; officers of the Foundations addressed 68 meetings with more than 12,000 in attendance; 45,000 state fair visitors viewed the Foundation exhibit; and 37,413 pieces of literature were mailed out. In addition, local banks mailed out thousands of pieces of literature; collected more than a hundred local newspaper press notices; and the Foundation and its work were featured in articles appearing in nine national publications.

"The soil and water conservation movement is growing, but not fast enough," said Mr. O'Hair. "Only slightly more than one-half the landowners in the state have applied for Soil Conservation Service assistance in farm-planning through their districts.

Future Plans

Future plans call for additional projects, such as: (1) Grassland contest; (2) soil testing campaign or contest; (3) achievement contest based on application or maintenance of SCS conservation farm plans; and (4) an advisory committee drawn from the Foundation membership to work with soil conservation district supervisors in the financing and follow-up of the application of recommended soil and water conservation practices. Enthusiastic support for the Foundation is expressed by big and little bankers alike.

Forums

(CONTINUED FROM PAGE 77)

come; better a small crowded room than a large room half full. Time: evening; refreshments: optional—and light, in any event. Number of meetings? For each audience I would prefer a single session.

These are the externals. The heart of it is the subject matter, and the treatment of it. Personally, I know of no better way to explain estate planning than to demonstrate it. Call it "Estate Planning in Action," if you will. Preliminary definition of some of the technical words to be used may be helpful as a warming-up; also a quick review of income, gift, and estate taxes; but text should be pruned to the very stumps of these subjects. As soon as possible I would get to the blackboard and sketch the picture of a typical family situation. It is most helpful to call on the audience for the details of this picture. Ask them to imagine that they are, in composite, a husband and wife sitting at your desk; call on them for hypothetical names, assets, relationships; such details as the ages of the children and the kind of business that the husband is in. And, because you have broken the ice, you will find that as you proceed to discuss what is good for this imaginary family your audience will interrupt you with questions and comment—and from that point on your meeting will be a success.

It is a moot question whether lawyers and insurance underwriters should be invited to such meetings. I have noticed that where they are present in strength there is a tendency for the nonprofessionals in the audience to keep silent—but *they* are the ones you want to get talking. To have specialists sit on a discussion panel, to be available to the trust officer as he plans aloud for his hypothetical family—that device works well. But otherwise a separate round table for the professionals would seem preferable.

As for the speakers, have one or two of *your own people*. One for the formal definitions at the opening, perhaps; another for the give-and-take of hypothetical planning. There is a tendency to seek for "outside" talent. But is it not your own organization's skill and will to serve that you are selling?

Inside a Panel

(CONTINUED FROM PAGE 48)

7. If the panel is offered at night, it is desirable to darken the room and use a yellow spotlight on the panel. A sheet of yellow cellophane over the lamp will achieve the desired result, and will preserve the natural appearance of the panel personnel.

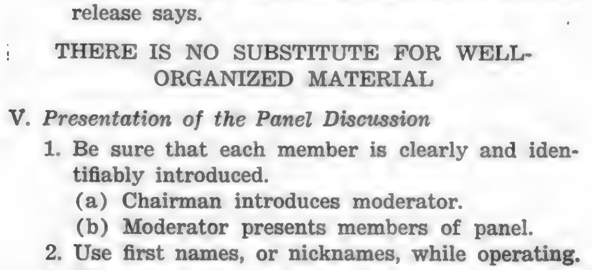
IV. *Preparation for Presentation of a Panel Discussion*

1. Given a capable panel, the less time spent on preparation the better. Only enough is needed to organize the proposed presentation of the subject.
2. For inexperienced participants, the best preparation is to acquire all-round knowledge of the topic to be discussed.
3. Under no circumstances should a panel member be permitted to *write* and *read* his material. Nothing is more deadly on a panel discussion.
4. There should be no objection to the use of *brief* written notes—brief, that is!
5. "Rehearsals" should be shunned like a plague. They tend to kill spontaneity, which is the *life* of any panel.
6. Press releases should be avoided, unless it is certain that a panel member will say what the release says.

THERE IS NO SUBSTITUTE FOR WELL-ORGANIZED MATERIAL

V. *Presentation of the Panel Discussion*

1. Be sure that each member is clearly and identifiably introduced.
   (a) Chairman introduces moderator.
   (b) Moderator presents members of panel.
2. Use first names, or nicknames, while operating.
3. If introductory or formal statements are to be made,
   (a) Time them carefully.
   (b) Do *not* permit reading of them.
   (c) Permit no interruption by anybody.
4. When discussion begins, the moderator must *ASSUME CONTROL.*
   (a) Don't permit *two* to speak at once. It confuses the audience.
   (b) Remember that each panel member is entitled to state his viewpoint.



   (c) Limit each participant's time. Don't allow "speeches" by individuals.
   (d) Don't tolerate irrelevant digressions. Remember that you have a topic to discuss.
   (e) Never hesitate to introduce or permit humor, so long as it isn't overdone.
   (f) Make certain that the discussion does not degenerate into an exclusive debate among panel members.
   (g) Insist that the discussion be directed to the audience, *not* to the moderator or the fellow panel members.
5. As *each* main point in your outline is covered by the discussion, SUMMARIZE IT!
6. Always be sure that *someone summarizes the whole discussion.* The audience deserves this courtesy, and carries away the essentials.

NEVER FORGET THAT A PANEL MUST BE "RUN," NO PANEL CAN RUN ITSELF!

VI. *The Question Period*

1. It is usually wise to have one.
2. Here, too, the moderator "runs" the show.
3. *Questions* only should be allowed, *not* speeches or harangues or diatribes.
4. The questions should be repeated by the moderator for the benefit of the audience.
5. Questions should be referred to specific members of the panel in *most* cases.
6. The questioner should be asked if the answer is satisfactory.
7. "Planted" questions should be avoided. The questioner may *read* his, and audiences don't like that!
8. As soon as spontaneous questioning ceases, it is good strategy to turn the meeting back to the chairman for the next order of business or for closing.

VII. *Time Limits: How Long Should a Panel Run?*

This depends on:
   (a) The *time allotted* to the panel.
   (b) The *nature of the subject.* Some topics lend themselves only to *brief* discussion. Others can be extended to 90 minutes, or even more by a good panel, without loss of audience interest.
   (c) The *balance of the program,* if any.
   (d) *Audience reaction.* Of this, the moderator must be the judge.

(e) *Audience participation*, especially in the question period.
NOTE: Don't *plead* for questions, and close the panel while the audience still wants more.

(f) *Weather* conditions, *ventilation*, and *similar considerations.*

ALWAYS REMEMBER THAT A PANEL IS A "LIVE" SHOW, EACH PARTICIPANT PLAYING A "STAR" ROLE!

Arkansas Bankers Sponsor W. W. Campbell for ABA Honor

SHELBY FORD, president of the Arkansas Bankers Association and president of the First State Bank, Springdale, Arkansas, has announced that the Arkansas Bankers Association will present William Wilson Campbell, president of the National Bank of Eastern Arkansas, Forrest City, for vice-president of the American Bankers Association at its 1951 convention in Chicago, September 30 to October 3.

This action was taken by a resolution adopted by the Executive Council of the Arkansas Bankers Association in its mid-year meeting in Little Rock, November 17. The resolution follows:

BE IT RESOLVED BY THE EXECUTIVE COUNCIL THAT:

THE ARKANSAS BANKERS ASSOCIATION with great pride presents the name of WILLIAM W. CAMPBELL, president, National Bank of Eastern Arkansas, Forrest City, for the office of vice-president of the American Bankers Association in 1951-52. Will Campbell literally "has everything" to qualify him for outstanding service eventually as chief executive of our great national association—long successful in experience in banking coupled with conspicuous service of many kinds to his state association, and the American Bankers Association. He has been the subject of feature articles by two of the nation's leading magazines, viz., *Readers Digest* and *Fortune*. In fact, his life is a typical inspiring American success story. He started as assistant bookkeeper of his bank and rose to its presidency. Living in an agricultural community, he sponsored throughout the years improved agriculture —first for his own area; later, through the American Bankers Association, for the entire nation, until he has become recognized as a pre-eminent leader in this field. He is intimately familiar with financial affairs as they affect both large and small business and government. Above all, he is a man of fine character and high integrity. He has been honored in his home state in practically every conceivable way. He will bring fine ability to the highest office in the gift of the American Bankers Association. The Arkansas Association bespeaks the favorable consideration of Will Campbell by bankers throughout the nation. This invitation will be followed by a brochure setting forth in much greater detail his qualifications and the events of his career.

Unclaimed Deposits in Massachusetts

BANK accounts estimated in excess of \$2-million were taken over by the state of Massachusetts on December 1 as abandoned property, under a legislative act passed last August. This sum represents savings deposits in the 189 banks of the state which have not been claimed for 14 years or more.

Boston banks, anticipating this legislation, began checking telephone books, directories and the relatives of their reticent depositors as early as last spring in an effort to locate owners for such accounts. One bank succeeded in finding claimants for \$450,000 of \$600,000 unclaimed since July 1, 1936.

Among the accounts turned over to the state were several owned by immigrants who had returned to countries behind the "Iron Curtain."

Working on the theory that most people leave money in the bank for years on the assumption that it will be there when they want it, banks have traced several claimants of accounts in excess of \$10,000 from one job to another and one city to another. In one case, \$6,000 were recovered by the children of a woman who started to close out her account and had her passbook stamped cancelled. Before leaving the bank, she had changed her mind and returned the check stating she would come back later and adjust the account. She never did so.

Most accounts were under \$3.

To insure against confiscation in Massachusetts, depositors must write to their banks or have interest posted in their passbooks befor 14 years have elapsed. Depositors can also recover deposits after they have been taken over by the state, but the procedure entails considerable red tape and the payment of expenses incurred by the commonwealth for handling the account. The state will pay 3 percent interest on such moneys.

Washington

(CONTINUED FROM PAGE 35)

This in turn inevitably is hastening the development of materials shortages and making unavoidable the cut-back in the output of consumer durables.

During October, instalment loans increased only $42-million, the smallest in many months. With the cutting back of the manufacture of durables, on overall shrinkage in the total volume of instalment credit outstanding would seem to be indicated.

Incidentally, the shrinking of consumer durable production can be achieved by materials orders of the National Production Authority. Under these circumstances a further amendment to Regulation W, imposing still stricter terms on instalment financing, would appear to be redundant and hence unnecessary.

WIDE WORLD

At party given by Rep. Charles B. Deane (D—N. C.) to mark unveiling of photos of two fellow-members of the Housing Banking and Currency Committee: Rep. Brent Spence (D—Ky.) and Rep. Jesse P. Wolcott (R—Mich.). *Left to right:* Rep. Deane, Rep. Spence, House Speaker Sam Rayburn, and Rep. Wolcott

McCabe Explains October Tightening in Reg. W.

Although avoiding any comment in his prepared statement as to why the Federal Reserve Board amended Regulation W drastically in October without notice, Chairman Thomas B. McCabe explained the objectives of that action in appearing before a Congressional committee.

"I should like to make entirely clear three aspects of the Board's amendment No. 1 to Regulation W," explained Gov. McCabe. "First, the Board's amendment action was taken in the light of the total economic and credit situation. It was taken not primarily because of developments in the specific fields during this period but because the magnitude of the general inflationary problem became more clear.

"It reflected the Board's apprehension over the continuing strong inflationary trends in the economy generally as well as over the continuing strong consumer demands for durable goods and accompanying expansionary trends in instalment credit."

Gov. McCabe told the committee that commercial bank loans expanded $5.7-billion between the end of June and October 25, "the largest loan expansion in such a short period of time in the country's history," he said. "More than 25 percent of the loan expansion was the direct or indirect result of growth in consumer credit, and another fifth was due to a rise in bank holdings of real estate mortgages."

Building Construction Would be Hit If War Production Program Were Boosted

If there is anything like a sharp hike in the aimed-for size of the Armed Forces — say to something like 5-million—or even if a rapid expansion in production of war materials is in fact achieved, it would seem inevitable that home building construction would be hit. The goal of permitting construction of 800,000-odd housing units during calendar 1951 was premised on the target of a 3-million man force.

This would, of course, start a downward trend in bank holdings of real estate mortgages. On the other hand, any considerable stepping up of mobilization would almost inevitably lead toward a re-creation of war housing devices. The Government would drive to facilitate the construction of temporary or permanent housing near centers of war production.

Title VI of FHA, for financing large-scale rental housing construction, might again be revived, even before the last 100,000 units it has made possible are completed. Title VIII, enacted last year, for insurance of rental housing around military activities, would get a big push.

Mixed Feelings on Credit Restriction

Toward the subject of overall limitation of credit expansion, there will persist a mixed trend. The Comptroller of the Currency and the chairman of the FDIC late last fall joined with the Federal Reserve Board in calling upon commercial banks to hold down their expansion of total loans, after calling attention to the large expansion in these loans.

This would hint the possibility that these two officials might join with the Board this year in favoring an increase in statutory maximum legal requirements, although these officials made no such intimation.

On the other hand, it is entirely possible that, with the restriction later upon production of consumer durables and ultimately of housing, two of the biggest causes of bank loan expansion will have vanished. This will leave loans for commercial and industrial customers.

In general, as reported last month, the Administration is opposed to restriction of commercial and industrial loans, for it feels an expansion of business is necessary.

There is one further development, however, which spotlights even more clearly the emphasis of officials other than those in the bank supervisory agencies, upon the importance of business loans.

(CONTINUED ON PAGE 114)

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Would Use V-Loans for Plant Expansion

In conjunction with Gov. James K. Vardaman, Jr., of the Federal Reserve Board, the Service departments and the Secretaries of Commerce, Agricultural and Interior, and the Defense Transportation Administrator have decided to employ V-loan guarantees for the financing of production capacity. These guarantees would be applied to loans not only for the purchase of production machinery, but for the construction of additions to plants, or entirely new industrial facilities.

It is the belief of officials who determined to use V-loans for financing physical production facilities that these loans will have many telling advantages. They note that the credit judgment of the local financing institution will be brought to bear on each application. If a local bank does not take, say, one-tenth of the loan, the production facility would not be financed by this process.

Furthermore, the credit judgment and local knowledge of the 12 Federal Reserve banks and their 24 branches would reinforce the judgment of the local banker.

Finally, the use of V-loans would avoid a postwar plant disposal problem. In the last war, when physical facilities were financed by Government, the private industry would operate the plant on a leasing arrangement. It might or might not decide to acquire the facility when the war was over. When the operating company declined to buy the plant, it reverted to the Government for disposal.

V-loans for physical production facilities, it is hoped, would make unnecessary the creation of some such agency as the World War II Defense Plant Corporation of the RFC. This would do away with the making of decisions about the competence and credit capacity of local enterprisers by some regional or Washington official.

Other officials are not too sanguine as to the prospects for utilizing V-loans to finance construction or expansion of physical industrial facilities. They fear that because of the longer terms of the loans (normally V-loans seldom run for maturities exceeding five years) and the general uncertainties facing war contractors, banks might be reluctant to make the loans.

They also fear that since many plants built for war purposes are of such specialized and limited use, their acquisition by the owner-borrowers might not be favored. In other words, industrialists might balk at establishing some of the facilities on the basis of ownership subject to mortgage.

Whether V-loans for financing facilities work out successfully or not, however, the decision to use V-loans for this purpose underscores the interest of officials in utilizing bank credit to finance the war.

RFC Subordinated

It appears that the Administration's intentions are to offer the Reconstruction Finance Corporation only a minor role in war financing. This was inferred from the decision to use the V-loans for financing war production facilities, as well as from the official announcement issued by W. Stuart Symington, controls coordinator, announcing the procedure for obtaining RFC loans.

Applications for these Government loans are filed by industries

with the appropriate agency, such as the Army, Navy, Air Force, or the Departments of Commerce, Interior, or Agriculture, or the Defense Transportation Administrator. They are "certifying agencies."

"The certifying agencies will be held responsible for thorough investigations of the applications. When approval has been given, the Reconstruction Finance Corporation will act as agent in making the loan," Mr. Symington explained.

In other words, the RFC dispenses the money after the decision has been made by the procuring agencies.

On the other hand, a move was afoot to strengthen the management of the RFC, a move originating in Congress. Influential Congressional elements believe that a substantial proportion of war production facility financing must inevitably be operated through the RFC, and that when and if "stronger management" assumed charge of that agency, it could give a more important role to such financing.

By an almost unprecedented action, a Senate Banking subcommittee took a long step intended to strengthen the management of the agency. For the second time this year, the subcommittee last month determined to avoid acting—and hence approving—all five members of the RFC Board. The five were nominated in August, but the subcommittee, and incidentally the full committee, refused to act to approve these nominations. Then after Congress recessed for the election, the President gave the nominees recess appointments, submitting their nominations a second time, after the Congress returned.

Unless the President can figure some new legal way of maintaining the five RFC nominees in their jobs, it would seem that the President must name an entirely new board.

Fiscal Problem Will Stand at Forefront

One of the more certain trends in the outlook for 1951 is that fiscal policy will stand at the forefront of controversial issues.

When appearing before the Senate Finance Committee on behalf of the excess profits tax bill, Treasury Secretary Snyder gave tacit if not open public acknowledgment to the magnitude of this problem.

Appearing before the House Ways and Means committee, Mr. Snyder indicated a hope that total Federal expenditures would run about $45-billion, revenues at $43-billion, and the deficit at $2-billion.

Meanwhile the Chinese attacked U.S. forces in Korea. Before the Finance committee some two weeks later the Secretary indicated that, with the acceleration of procurement, these estimates were obsolete. Committee members opined, and Mr. Snyder did not object to, the forecast that expenditures this fiscal year might reach $50-billion and the deficit nearly $5-billion.

Of far-reaching significance to the outlook, however, was Mr. Snyder's statement that in fiscal 1952, which begins next July 1, total expenditures are likely to run 50 percent higher than this year. Senator Harry F. Byrd (D., Va.) said this would put Federal expenditures in 1952 at between $68-billion and $75-billion.

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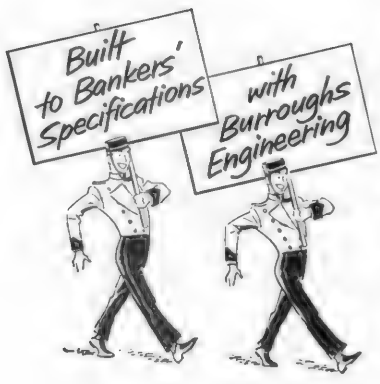

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WHEREVER THERE'S BUSINESS

Credit Unions Have 4-Million Members

(CONTINUED FROM PAGE 55)

set up a reserve for bad loans. This reserve fund is made up of entrance fees, fines, and 20 percent of net earnings, but this reserve need not exceed 10 percent of its members' shareholdings.

Investments

Funds of credit unions may be invested in loans to members, loans to other credit unions, obligations of the United States, or in securities fully guaranteed by the United States, and shares of Federal savings and loan associations.

Loan Protection Insurance

There are several insurance plans to which a Federal credit union may subscribe. One plan insures the union against loss caused by the death or disability of borrowers.

As of December 31, 1948, Federal credit unions showed total assets of $258,411,736, including the following:

Loans to members	$137,642,327
Cash	30,119,870
U. S. Government obligations	68,487,700
Federal Savings and loan shares	18,301,363
Loans to other credit unions	2,696,277
Other assets	1,164,199

It operates as follows: "If an insured borrower becomes totally and permanently disabled before attaining age 60, or becomes deceased before attaining age 70, the balance of the loan is paid in full and the security offered by the borrower is released from any liability."

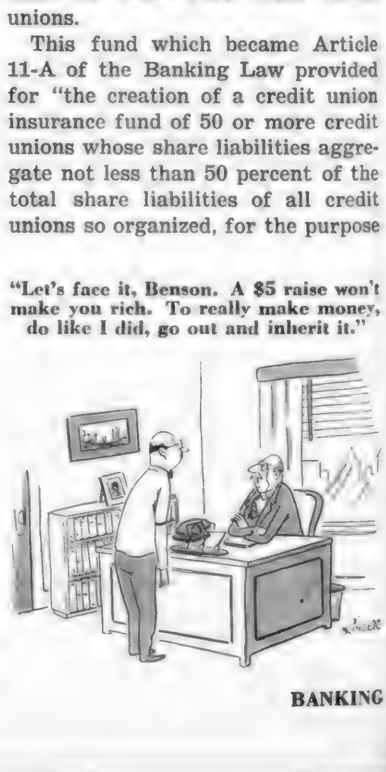
It is advantageous to the credit union because it will suffer no loss because of the borrower's inability to pay and it is advantageous to the borrower and his family because no further payments need be made on the loan and the security behind the loan will not be forfeited.

Credit Union Insurance Fund for New York State Credit Unions

In 1940 Governor Lehman approved the creation of an insurance fund for New York State credit unions.

This fund which became Article 11-A of the Banking Law provided for "the creation of a credit union insurance fund of 50 or more credit unions whose share liabilities aggregate not less than 50 percent of the total share liabilities of all credit unions so organized, for the purpose

"Let's face it, Benson. A $5 raise won't make you rich. To really make money, do like I did, go out and inherit it."



of insuring the shares of credit unions which become parties thereto."

Each holder's shares are insured to $2,000. The amount that each credit union must contribute to the fund is determined by its total share liability.

Development of Credit Unions

From 1934 to 1942 the credit union movement expanded at a steady rate. The number of both state and Federal associations increased each year, but figures from the *Monthly Labor Review* show that the rate of growth of Federal credit unions was consistently higher than that of the state-chartered associations. These figures show that, by the end of 1944, Federal credit unions accounted for 43.1 percent of the members, 36.9 percent of the loans made, and 36.3 percent of credit union assets.

When the United States entered the war, restriction of Federal Reserve Regulation W on instalment loans and other wartime developments combined to force the decline of the credit union movement.

At the close of the war, the credit union movement revived and has grown in membership, loans outstanding, and earnings, since 1945.

H.R. 6185, passed by Congress on October 25, 1949, amended the Federal Credit Union Act by:

(1) Increasing from two to three years the limit for maturity of loans made by a Federal Credit Union.

(2) Increasing the limit for unsecured loans from $300 to $400.

(3) Placing a ceiling on the amount of regular reserves required to be maintained, of 10 percent of its members' shareholdings.

Under the Federal Credit Union Act each credit union is required to set up a reserve fund against possible bad loans to which is added all entrance fees, fines, and 20 percent of the net earnings of each year, before the declaration of dividends.

The amendment provides that when the reserve fund equals 10 percent of the total amount of members' shareholdings, no further transfer to the reserve fund from net earnings shall be required except as needed to maintain this 10 percent ratio.

Bank Forms Are the Bank

Is it possible that bank forms are too efficient, too legal, too technical? Lewis F. Gordon, vice-president of The Citizens & Southern National Bank of Atlanta, raised the question at the recent convention of the National Association of Bank Auditors and Comptrollers.

Reporting on research he had done on official papers used by approximately 150 banks, Mr. Gordon said bank forms and letters offered "one of the biggest and most important public relations challenges" of the last 20 years.

Wherever the form and the letter go, they are the bank.

"People are the end result of all human action. Let's make it 'the customer's way, if possible,' even in the forms we use and the words we print upon them."

Bank Earnings

(CONTINUED FROM PAGE 47)

shorter portfolios and therefore have enjoyed larger benefits through this advance in the Treasury's short-term interest rates.

Expansion in deposit totals was another prominent factor in the improved outlook. During the first nine months of last year, deposits held by the New York City Clearing House banks averaged $22,100,000,000, and at the year's end were at about $23,000,000,000, compared with $21,900,000,000 in 1949.

While the trend in interest rates has been upward, banks generally have been shifting their investment portfolios. In addition to substituting loans for Government security holdings, during the year the banks have shown a disposition away from the lower yielding Treasury obligations into tax-free state and municipal liens.

These, then, are the major factors on the up-side. But larger expenses, and principally taxes, have had to be met, and they seem certain to become increasingly onerous. Costs of bank operations are now believed to be about 2 percent higher than in 1949, while tax accruals are also larger.

Many banks no longer have available the reduction permitted under the Treasury's regulation for bad debt reserves.

Net current operating earnings of the member banks throughout the nation, totaling approximately $865,000,000, represent slightly more than

"But, Mrs. Poppelgar, our service charge has nothing to do with helping start your car."

Meeting of the Bank Management Commission, American Bankers Association, at Charleston, South Carolina, last November. *Clockwise around the table:* E. A. Cook, vice-president and cashier, University National Bank, Seattle; Reuben B. Hays, president, First National Bank, Cincinnati; Sidney M. Price, president, First National Bank, Malden, Massachusetts; Charles S. Conklin, auditor, First National Bank, Atlanta; C. Edgar Johnson, vice-president, First National Bank, Chicago; A. K. Davis, senior vice-president, Wachovia Bank and Trust Company, Winston-Salem, North Carolina; James H. Kennedy, vice-president and cashier, Philadelphia National Bank, chairman, Bank Management Commission; Melvin C. Miller, deputy manager, American Bankers Association, and secretary, Bank Management Commission; Lucille G. Renker, American Bankers Association; W. W. Cottle, vice-president and cashier, Security-First National Bank, Los Angeles; O. U. Habberstad, president, Union National Bank, Rochester, Minnesota; Raymond C. Deering, vice-president and comptroller, Manufacturers Trust Company, New York; Leslie K. Curry, vice-president, Mercantile-Commerce Bank and Trust Company, St. Louis; George R. Amy, deputy manager, American Bankers Association, and secretary, County Bank Operations Commission

9 percent on their capital accounts of $9,500,000,000. In New York City, such earnings of $146,000,000 amounted to 6.18 percent of the capital accounts of $2,360,000,000, compared with 5.99 percent on capital accounts of $2,319,000,000 in 1949.

Cash dividend payments by all the banks during the first half of 1950 averaged 37 percent of earnings, or $155,000,000, compared with $146,000,000 in the similar 1949 period. However, the larger dividend payments are usually made toward the year-end and are reflected in figures for the second half.

In New York City, dividend payments, running about $90,000,000 at the year's end, represented a disbursement of 62 percent of the banks earnings, and were about 10 percent above the $82,300,000 paid out in 1949.

Thus, it may be noted that the combination of larger loan volume plus higher rates manifests itself with multiple effect on bank income. This influence, however, is certain to be limited by the new tax program.

GEORGE MOONEY,
Bank Reporter,
New York Times

Only the brave deserve the fair. Supporting them is another matter.

New Books

The Impact of Government on Real Estate Finance in the United States

By *Miles L. Colean.* National Bureau of Economic Research, New York. 160 pp. $2.50. This book traces the course of governmental influence on real estate finance from colonial times to the present, with particular attention to measures enacted during the depression and through the Forties. Mr. Colean, who writes occasionally for BANKING, finds real estate activity and its financing have become more fully subject to Government influence, regulation and control than any other part of the economy not of a public or public utility character.

Tested Credit and Collection Letters

By *William H. Butterfield.* National Retail Credit Association, St. Louis. 48 pp. $2. The executive director of the University of Illinois Foundation at Urbana offers 100 tested and outstanding letters for boosting credit sales, building goodwill and collecting accounts. Virtually all types of letters used in standard retail credit operations are represented; some are the author's own, while others are adapted from originals by well-known firms.

Facts and Figures on Government Finance

Published by the Tax Foundation, New York. 209 pp. "The most complete factual picture of Government fiscal data available, with the minimum of interpretation and comment." Contains many tables and charts.

Economic Aspects of Atomic Power

By *Sam H. Schurr* and *Jacob Marschak.* Princeton University Press. 282 pp. $6. An "exploratory study" concentrating on atomic uses that seem most likely to materialize: generation of electricity, transportation of low-temperature residential heat; also a study of the potential application of atomic power in several industries using electricity or heat. The book is published for the Cowles Commission for Research in Economics.

Major Problems of United States Foreign Policy, 1950-51

Brookings Institution, Washington, D. C. 402 pp. $3. Fourth in a series dealing with policy problems, this book surveys the world situation as of midsummer 1950, outlines international relations since the war, and recounts basic and continuing objectives of the U. S., Britain and Russia.

Inventories and Business Cycles

By *Moses Abramovitz.* National Bureau of Economic Research, New York. 620 pp. $6. An economics professor at Stanford University reports on a study which disclosed that changes in the rate of inventory accumulation and liquidation are a far more important cause of business cycles than had been suspected.

Other Books and Booklets

DON'T SHOOT THE PIANO PLAYER. By *Stanley Brown.* The Graphics Group, New York. 32 pp. 25 cents. In this little pamphlet the vice-president in charge of personnel at Chemical Bank & Trust Company, New York, writes a brisk, hard-hitting argument for the continuation of good, responsible management of American business enterprises by businessmen.

AMERICA'S CAPITAL REQUIREMENTS: ESTIMATES FOR 1946-60. Twentieth Century Fund, New York. 244 pp. $3. A technical supplement to the report on "America's Needs and Resources," published by the Fund in 1947. Detailed estimates are given for 28 fields in four broad categories: urban development, commercial and industrial facilities, transportation, and rural development.

AMERICAN EXPRESS: A CENTURY OF SERVICE. *By Alden Hatch.* Doubleday, New York. 278 pp. $3.50. The story of a famous company, an international service organization.

BANKING'S ADVERTISERS

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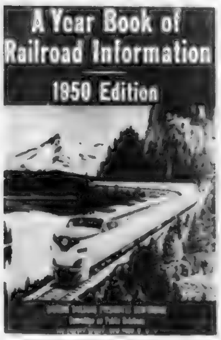
Business Aids

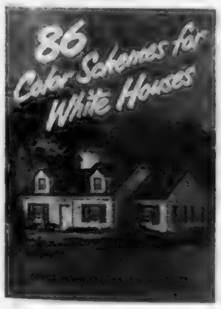
Home Planners Libraries • New Products • Operations • Industrial

EACH month this column will list recent acquisitions including manufacturers' literature and other special announcements of interest to our readers—though no statement made should be regarded as an endorsement.

FACTS ABOUT OIL. A 32-page illustrated summary of facts and figures on the domestic oil industry arranged under the following headings: Oil—Its Origin and Progress; Exploration; Drilling; Production; Reserves; Transportation; Refining; Supply and Demand Factors; Marketing; Uses of Oil; Cost Factors; Oil and National Security. A handy reference for speakers, editors or others needing a handy guide to up-to-date information. Available in single copies without charge (or in quantity at $6.00 per hundred) from the *American Petroleum Institute, 50 West 50th Street, New York 20, New York.*



A YEARBOOK OF RAILROAD INFORMATION, 1950 Edition. This 96-page booklet, illustrated by charts and tables, covers all phases of railroad operations, including capital expenditures, transportation of commercial traffic in the U. S., passenger and car mileage, tons carried, etc. It also includes a summary of financial results, earnings, wages paid, operating efficiency, etc. Write to *Eastern Railroad Presidents Conference, Committee on Public Relations, 143 Liberty Street, New York 6, New York.*



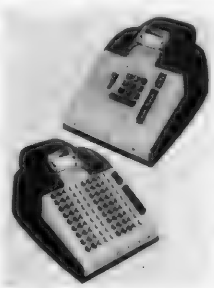
86 COLOR SCHEMES FOR WHITE HOUSES. A 28-page booklet handsomely illustrated in full color, containing color suggestions for houses of every style from Early American to the modern ranch house. The booklet presents a variety of ideas by illustrating 20 different homes and picturing three or four different color combinations for each house. Banks interested in obtaining this booklet for their home planning libraries may write to *Devoe & Raynolds Company, Inc., New York, New York.*

An inexpensive TWO-STATION INTERCOMMUNICATION SYSTEM for small offices, between executive and secretary, etc., the Masco Midgetalk has been announced by the *Mark Simpson Manufacturing Company, Inc., Long Island City, New York.* Consists of a master station with fifty feet of 3-wire cable and a remote station for either private or non-private operation, both stations having a press-to-talk switch. This unit can also be used for a two-way paging system.

SHINGLE STYLE BOOK. A 24-page booklet attractively illustrated in full color containing many ideas for shingle color and design available in the *Barrett* line. Also comments on foundation waterproofing and dampproofing a new home as well as insulating for fuel saving comfort.

This booklet is available in a very limited quantity from *Barrett Division, Allied Chemical & Dye Corporation, 40 Rector Street, New York 6, New York.*

A PRIMER FOR THE OWNER-BUILDER. A 48-page discussion of the factors involved in home planning and owner-building. This comprehensive book contains many helpful suggestions under six section headings: The House; The Land; The Money; The Work; The Material; The Equipment. Copies of this booklet (No. JE-2639) may be obtained at a cost of $1 from the *Reference Library, Ladies' Home Journal, Philadelphia 5, Pennsylvania.*



A new 10-BANK ADDING MACHINE, the latest development in its 32 years of specialization in the field, has been announced by the *Victor Adding Machine Company* of *Chicago, Illinois.* The new equipment has an 11-column totaling capacity, with speed outstripping the needs of even the fastest operator, and covers an area not much larger than the average letterhead. The new CUSTOM MODEL is available in either 10-key or full keyboard style and in hand- or electrically operated units to suit any type of operation.

Correspondent Conferences Popular

LARGE registrations at recent "big city" conferences for correspondents indicate the current popularity of this educational banking activity.

The most recent meetings, held by The First National Bank of Chicago, The Philadelphia National Bank, and Manufacturers Trust Company of New York, followed similar gatherings under auspices of the Pennsylvania Company for Banking and Trusts, Philadelphia, and the First National Bank in St. Louis.

The First National of Chicago had more than 900 bankers from 35 states as guests at its fourth and largest annual two-day correspondents' meeting. Featuring the program were panel discussions on management of medium-sized banks, bank administration, business and economic conditions, and business development.

The bank was host at a luncheon, reception and dinner on the first day and at luncheon the second day. President Homer J. Livingston was toastmaster at the dinner, with Dr. Robert E. Wilson, chairman of Standard Oil Company of Indiana, as guest speaker. Edward E. Brown, chairman of the bank's board, discussed current banking problems. Vice-president John J. Anton presided at the luncheons, and Mr. Brown and James B. Forgan, vice-chairman of the board, extended greetings.

The First announced that it was expanding its program of direct personal contact by assigning additional men to cover particular territories. Four major groups of states will be assigned to an officer, assisted by several associates.

THE Manufacturers Trust Company's New York conference on current banking problems was attended by several hundred of its correspondent banks in the Second Federal Reserve District. Louis P. Christenson, vice-president and senior loaning officer, presided.

Greetings were extended by President Henry C. Von Elm. Thomas C. Boushall, president of The Bank of Virginia, Richmond, a guest speaker, discussed bank community relations, and George E. Sokolsky, author and columnist, spoke at a luncheon.

Dinner meeting, First National Bank of Chicago correspondents conference, *l. to r.:* Vice-presidents Herbert V. Prochnow, Herbert P. Snyder, Director Bentley G. McCloud, Vice-chairman James B. Forgan, Dr. Robert E. Wilson, President Homer J. Livingston, Chairman Edward E. Brown, Vice-president and General Counsel Harold V. Amberg, Vice-presidents Walter M. Heymann. John J. Anton, and Gaylord A. Freeman, Jr.

The visiting bankers heard Manufacturers executives talk on current banking problems, operating economies, consumer credit, employee relations, V-loans, everyday legal problems, and letters of credit for correspondents. At the conclusion of the conference the bank was host at dinner.

APPROXIMATELY 750 bankers from 23 states attended the Philadelphia National's annual bank forum for correspondents. The program ranged from bank operations to discussion on protection of records and personnel in the event of bombing attacks.

Frederic A. Potts, president of the bank and member of the Federal Advisory Council, and Dr. Edwin G. Nourse, former chairman of the President's Council of Economic Advisers, emphasized that economic regulation through price controls, except in the event of World War III, represented a danger to the American enterprise system.

Dr. Nourse advocated control of materials on the one hand and central bank credit on the other as a more effective and a logical alternative to wage and price regulations.

Mr. Potts noted that the campaign to control inflation was gaining momentum. He also told the bankers that "areas of disagreement between the Federal Advisory Council—representing the nation's commercial banks—and the Federal Reserve Board had narrowed greatly" in the past two years.

At the Philadelphia National's conference: *l. to r.*, Dr. Edwin G. Nourse; Vice-president Norman T. Hayes, chairman of the meeting; and President Frederic A. Potts

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(CONTINUED FROM PAGE 33)

speeches and gossip against the purchase of Savings Bonds will require a great deal more answering.

Banks should examine carefully the implications of *not* selling Savings Bonds and of discouraging their purchase. Such a course would amount to an abandonment of the dollar. It could eventually force the Government into outright inflation by way of the printing press. It would undermine savings deposits and every other form of savings. An individual might well conclude: "If it's true that you lose in buying Savings Bonds because of a drop in purchasing power of the dollar, doesn't the same argument apply to deposits in a bank and to life insurance?"

So You Bought Stocks

There has been a great deal of talk about the advantage a person would have experienced if he had bought stocks instead of Savings Bonds during recent years. In a recent talk before New Jersey bankers Adrian M. Massie, vice-president of The New York Trust Company, had this to say:

"We all know what disappointments have been encountered in this phase [common stocks] of investing. Just for fun I examined a list of 188 selected stocks, which was published in October 1950, to see what the results would have been if they had been purchased in 1935 and held until 1950. Many of the names are familiar to you and I am sure they appear in the portfolios of most corporate trustees. In this group are many stocks which in the 1935-1950 period either did not increase at all in market value or increased only a small percentage of the original 1935 cost."

Here are the names of a few of these issues, showing how difficult it is to select stocks which marketwise and incomewise would counter-balance the increase in cost of living:

Air Reduction
Allegheny-Ludlum Steel
Allis-Chalmers
American Can Company
American Radiator and Standard Sanitary
American Steel Foundries
American Telephone and Telegraph
American Tobacco Company
Anaconda Copper Mining
Brooklyn Union Gas
Canadian Pacific Railway
Chesapeake & Ohio
C. I. T. Financial
Congoleum-Nairn
Consolidated Edison
Continental Can
Corn Products Refining
Endicott Johnson
General Electric
Great Northern Railway preferred
International Nickel
Johns-Manville
P. Lorillard
R. H. Macy & Co.
Norfolk & Western
Owens-Illinois Glass
Pacific Gas & Electric
Parke, Davis
Pennsylvania Railroad
Pullman
Reynolds Tobacco "B"
Southern California Edison
Standard Brands
Sterling Drug
Timken Roller Bearing
Woolworth
Yale & Towne

E Bonds Start to Mature

The year 1951 will bring the 10th anniversary of our entry into World War II and the first of the 10-year maturities of E Bonds. During the next five years the total will be in the neighborhood of $20-billion in the very period when our expenditures for national defense will be increasing greatly.

The stability of the dollar is now a major concern of all of us in the face of the necessity for greatly enlarged military expenditures. Action on the part of the Administration in cutting down nonmilitary expenditures and curtailing of Federal direct lending and guaranteeing is an absolutely essential part of any realistic anti-inflationary program.

Bankers know that immediately following World War II we should have started to reduce the national debt substantially each year, as we had done after every previous war, but, regardless of their disappointment in seeing sound financial tradition disregarded, bankers must continue to fight for the preservation of the dollar as a standard of values. To give up this fight would mean economic confusion and disaster.

Efficient handling of our military expenditures so as to avoid waste is imperative. With the tremendous size of the military program looming up ahead, no single dollar should be spent by the Government unless absolutely necessary to help get the country through its present crisis.

Taxes should be increased realistically and in a manner best calculated to produce revenue and still keep the economy strong. Political whims and preferences have no place in our deliberations under existing crucial conditions. While a balanced budget and substantial debt retirement should have been achieved in the period following World War II, our problem now is to keep this inevitable deficit to the smallest possible figure and finance it as wisely as we can.

All that a Savings Bond program does is to freeze the dollars after they have been created. The main job is to prevent the creation of these dollars in the first place. The function of the sale of Savings Bonds is somewhat similar to that of pulling logs out of the way of a forest fire to keep it from spreading.

Payroll Savings

The sale of Savings Bonds to employees through payroll savings will help to hold the line on prices by keeping deficit dollars out of circulation. At the same time it will give the worker an opportunity to build financial reserves for himself and his family and perhaps, too, as a "stockholder," he may acquire more interest in sound government.

In recommending the purchase of Savings Bonds by the public the bankers incur a certain degree of responsibility. Consequently they should take every opportunity to educate the public in basic economics so that in years to come if the complaint should arise, "We bought Savings Bonds and look what happened," the bankers will be able to point to a genuine effort on their part to inform the people and urge sound fiscal management.

An Anti-Inflationary Weapon

James E. Shelton, president of the American Bankers Association, feels that inflationary pressures arising from increased military expenditures will threaten the integrity of the U. S. dollar unless "every element in our society joins in an all-out battle against inflation."

Mr. Shelton, who is president of the Security-First National Bank of Los Angeles, said that the increased sale of U. S. Savings Bonds was an essential part of an effective anti-inflation campaign, but *only* part.

"Today we are faced with the necessity," said Mr. Shelton, "of spending a great deal of money for rearmament purposes. Insofar as it is necessary to finance this expenditure through public borrowing, it is better for the money to come from nonbank investors. The only real preventive of inflation, of course, is to shut off the supply of inflationary dollars at the source and keep them from entering the spending stream. The Savings Bond program serves the purpose of sterilizing some of these dollars and in that way safeguards against inflation.

"For this reason, and for many others, bankers have supported the Savings Bond program from the beginning and will continue to do so.

"Holders of Treasury Savings Bonds have a natural interest in Government economy, sound fiscal management, and in preserving the purchasing power of the dollar. We feel that a wide distribution of these bonds among the general public inculcates basic ideas of thrift, security, self-reliance and financial independence.

"The Payroll Savings Plan in particular offers an opportunity for regular, automatic purchases of Savings Bonds and is much more than simply a way to save. Coupled with other anti-inflationary steps, it can be an important weapon in the defense of the dollar."

According to Mr. Shelton, there are three ways in which banks can cooperate in the Payroll Savings Drive recently launched by the Treasury. The first is to install the Payroll Savings Plan in their own banks; the second, to reactivate the plan if they already have it; and the third, to carry the message to their directors, officers and other individuals who are employers and to suggest to them that they install it.

A Record to Be Proud Of

The banks of the United States began to help the Treasury sell Savings Bonds at the beginning of World War II and the record they made is a proud one.

A committee was set up under the chairmanship of Tom K. Smith of St. Louis to work closely with the Treasury on the sale of Savings Bonds and this effort continues today through the successive chairmanships of F. M. Knight from Chicago and, now, H. Frederick Hagemann, Jr., of Boston.

The purpose of the banks was stated at the beginning in this way:

To avoid inflation the Government must draw the funds it borrows primarily from the current income of individuals and institutions and only secondarily from commercial banks. It is the duty of the banks:

(1) To encourage thrift and discourage spending so as to accumulate funds for war.

(2) To push vigorously the sale of Defense Savings Bonds and stamps and tax anticipation notes.

(3) To subscribe for Treasury issues suitable for banks.

(4) To help maintain a broad and dependable market for Government securities.

(5) To advise with the Treasury and the Federal Reserve System in planning Government fiscal policies.

Today the basic objectives are the same, although the words, taken from a recent statement of purpose, may have changed a little to reflect new conditions and new problems, to wit:

(1) The Savings Bond program helps to spread the national debt among nonbank investors and thus provides a safeguard against the inflationary pressure of a large national debt.

(2) It helps in the maturity distribution of the debt.

(3) It creates a large body of holders of Treasury bonds who, as owners of fixed income securities, should have a natural interest in Government economy, sound fiscal management, and in preserving the purchasing power of the dollar.

(4) It helps to inculcate among the general public the basic ideas of thrift, security, self-reliance and financial independence.

Meanwhile the threat of inflation has grown steadily worse. The national debt was $40,439,500,000 at the beginning of World War II and it is $257,218,170,000 today. In the same period the price level has gone from 99.4, according to the index of the Bureau of Labor Statistics, to 173.

If it were simply a case of recommending an investment there would be reason for some argument and differences of opinion but it is far from a simple investment that the banks have been selling. It is America and everything that it means to us and to the world.

If the People Owned the Debt

Let's look at two hypothetical individuals.

John Smith bought bonds and saved money and is still buying bonds. He is a stockholder in America and rightly feels a special interest in the affairs of the country and a right to express opinions on that subject. Multiply him by X-million and you have a powerful force of public opinion on the constructive side.

Tom Jones did not buy bonds because he had been told that inflation was here and the purchasing power of money put into bonds would decrease. Instead he spent it for gadgets and whatnot. Multiply him by X-million and you have a powerful group which is not particularly interested in whether the Government observes sound fiscal policies or not and offers fertile soil for socialistic doctrines.

"It is my belief," recently wrote M. W. Clements, chairman of the board of the Pennsylvania Railroad and chairman of the Industrial Advisory Committee of the U. S. Treasury, "that if the workmen of the United States owned the national debt, if they had that interest, the budget would be balanced and we would have no more inflation, and anything that can get them interested in their Government and give them an understanding of the problems will certainly be the best for them. If they had that interest, the money they put in Savings Bonds would come out at a par with the money they put in. In the meantime they would have saved their country."

William R. Kuhns

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